EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,988 | Thursday November 2 1989 | D 8523A

VIETNAM
Putting its house in order
Page 6

World News

Ortega calls a halt to ceasefire with Contras

President Daniel Ortega of Nicaragua formally ended a fragile 19-month ceasefire against the US-backed Contras, dispelling last-minute hopes that the decision might be reversed or postponed. Page 18

Bhutto survives vote
Benazir Bhutto, Pakistan's Prime Minister, survived a vote of no confidence in her government but saw her majority in the National Assembly much reduced. Page 18

Paris-Bonn summit
President François Mitterrand and Mr Helmut Kohl, the West German Chancellor, will try to reach agreement on boosting international aid for Poland at a crucial two-day summit in Bonn. Page 3

Cold War prediction
Soviet Foreign Ministry spokesman Gennady Gerasimov predicted next month's superpower summit would end the cold war, dumping it to the "bottom of the Mediterranean."

Beirut poll threat
The assassination of a retired Saudi embassy employee in West Beirut further jeopardised a proposed presidential election in Lebanon. Page 6

Lee unrepentant
Martin Lee, Hong Kong's leading liberal campaigner, last night refused to apologise to Peking for criticising the Chinese army's crackdown on dissident students. Page 6

Ukraine strike
Miners in the Ukraine, demanding improved pensions and holidays, staged warning strikes in the Soviet Union's largest coalfield. Page 3

Swapo accused
South Africa accused Swapo guerrillas of crossing into Namibia from bases in neighbouring Angola in violation of the UN plan for the territory's independence. Page 6

Sarney charges
Damaging charges have been levelled against President José Sarney of Brazil alleging he was behind a secret conspiracy to launch the television star, Silvio Santos, in a last-minute bid for the presidency. Page 4

Mugabe defiant
President Robert Mugabe, backing southern African states' defiance of a worldwide ban on ivory trading, said Zimbabwe would continue to kill elephants and sell their ivory.

Lockerbie link
Swedish police have uncovered a possible link between a Palestinian on trial in Stockholm for terrorism and the 1988 bombing of a Pan Am jumbo jet over Scotland. Pan Am action, Page 4

Warsaw-Seoul ties
Poland became the second Eastern European country to establish diplomatic relations with South Korea, the formerly anti-communist country which is boosting ties with its former enemies. Page 6

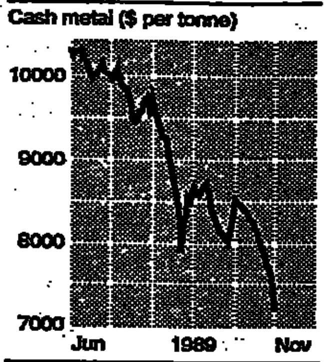
Madrid art inquiry
An inquiry is under way in Madrid into the mystery disappearance of four art masterpieces from the Palacio Real. Page 18

Business Summary

Michelin bid for UK tyre chain to be investigated

Britain's Monopolies and Mergers Commission is to investigate Michelin Tyre's $219m takeover of National Tyre Services, a 420-outlet replacement tyre distribution chain. Page 19

TIN prices fell on the LME throughout the day and cash metal ended at $7,135 a tonne, down $385 to the lowest level since the tin contract was re-started on the exchange in June. Page 30



CAMPBELL Soup chief executive Gordon McGovern resigned raising a flurry of speculation about one of the US's most powerful food companies. Page 19

SEA Containers, Bermuda based group which owns Sealink British Ferries, has buyers for all the assets it intends to sell as a defence against a hostile $1.02bn bid from Stena and Tiphook. Page 19.

NL Industries, controlled by Harold Simmons, the Dallas investor, made a $50 a share offer for Georgia Gulf valuing the chemical company at $1.2bn. Page 22

EUROPEAN Commission has been faced with an Anglo-German attempt to water down draft rules for closer economic and monetary co-ordination. Page 3

CARDO, Swedish industrial holding company affiliated to the Volvo group, and Lucas Industries of the UK are to set up a jointly owned company to make braking systems for rail industry. Page 22

CONTINENTAL Airlines, non-unionised subsidiary of Texas Air, the prominent US airline holding group, said D Joseph Corr had resigned as chairman. Page 22

JAPAN'S Ministry of Finance is set to ease the rules that separate Japanese banking and securities business by allowing companies for the first time to issue short- to medium-term corporate bonds on the domestic market. Page 23

SOUTH Korean companies are to be refused the right to choose their own auditors to certify financial accounts in an effort to clean up misleading balance sheet reporting. Page 21

FUJITSU, Japanese computer company, embarrassed the Government by admitting making artificially low bids for public contracts. Page 8

NEW WORLD Development, Hong Kong property company which agreed to buy hotel interests of Ramada of the US, has announced a 12 per cent rise in after-tax profits. Page 21

GENERAL RE, largest US reinsurance company, reported strong third quarter results despite heavy losses from Hurricane Hugo. Page 21

INDIAN Airlines, the state-owned carrier that operates domestic routes and those to neighbouring countries, is to buy 33 new aircraft in the next five years at a cost of $149m. Page 8

E Germans resume exodus despite Krenz reform plan

By Leslie Colitt in Berlin and Quentin Peel in Moscow

THOUSANDS of East Germans crossed the border into Czechoslovakia and over 600 took refuge in the West German Embassy in Prague yesterday, ignoring the promises of reform that were made in Moscow by their country's new leader, Mr Egon Krenz.

Meanwhile officials in West Berlin said they were preparing for the biggest influx of East Germans since before the Wall was built in 1961, because the Communist authorities were expected to allow virtually unrestricted visits to the West in time for Christmas.

The new flood of asylum-seekers into Czechoslovakia threatened to recreate the crisis that developed a month ago when over 15,000 East Germans gained access to the Federal Republic by taking refuge in its Prague Embassy.

But in sharp contrast with the September exodus, the latest refugees were swiftly issued with documents by the East German Embassy in Prague thus releasing them from East German citizenship. Some 70 of them were allowed depart immediately by bus for West Germany.

The East German state news agency ADN said that at least 8,000 citizens had taken advantage of East Berlin's decision to restore visa-free travel into Czechoslovakia, a right which had been suspended on October 3 in a bid to stem the exodus.

In Moscow, Mr Krenz emerged beaming from a three-hour summit with President Mikhail Gorbachev to pledge his enthusiasm for Soviet perestroika – and its relevance to reform in his own country. He gave the first-ever press conference by an East German leader to present himself as a paragon of socialist renewal, modelled on the style of Mr Gorbachev.

And he denied that he could be called a hard-liner, even expressing positive enthusiasm for the mass demonstrations of East Germans on the streets, who are demanding more democracy and free elections.

Yet his tone and delivery frequently sounded more like the old-style Communist youth leader which he was for years under Mr Erich Honecker, whom he replaced just two weeks ago.

He expressed the convictions of a born-again democrat with a truculent confidence of a hitherto unassailable autocrat.

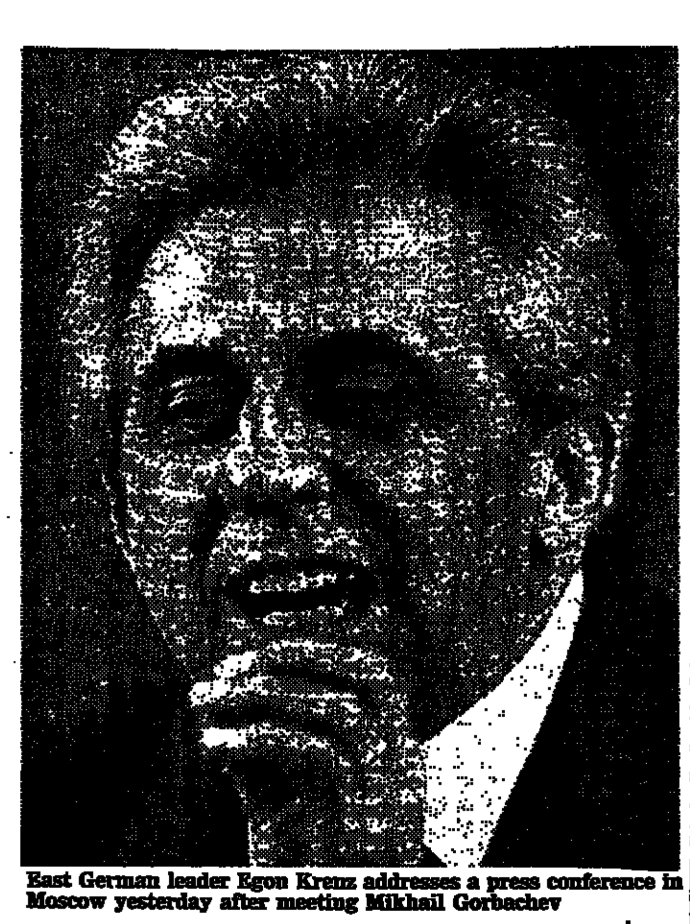
Mr Krenz said of the mass demonstrations sweeping his country, which continued throughout his 22-hour stopover in Moscow, that: "Many of them are in the streets to show that they want better socialism and the renovation of society. So I believe that this is a good sign, an indication that we are at a turning point."

The East German leader flatly rejected any hint of German reunification and spoke defensively about the Berlin Wall.

He said the Wall marked a frontier not just between two states, but between two ideologies and two blocs.

"This is a border with the biggest concentration of weapons in Europe," he added. "It can be used as a kind of protective shield."

However West Berlin officials said they were taking seriously the pledges of East Berlin – repeated yesterday by Mr Krenz – to liberalise travel.



East German leader Egon Krenz addresses a press conference in Moscow yesterday after meeting Mikhail Gorbachev

The officials are hoping that most East Germans will return home after visiting the city, but they acknowledge that this is almost impossible to predict.

East Germany, anticipating the worst, has assured citizens that applications to permanently "resettle" in the West will be given prompt attention.

Mr Günter Schabowski, the East Berlin Party leader, told the Mayor of West Berlin, Mr Walter Momper, last weekend that he believed the number of East German citizens wanting to stay in the West after visits would "not be so great."

Another East German official, however, said the coming exodus could be "very heavy" at the outset.

West Berlin prepares for Christmas rush

BERLIN'S role as a clasp between the two German states may be reinforced in the coming months as city officials expect it to be the most popular crossing-point when a sweeping liberalisation of travel curbs takes effect, writes Leslie Colitt.

West Berlin is expected to be the prime magnet for East German visitors because of its location in the heart of the country, and because travelling to East Berlin, and then crossing the divided city, will be much the cheapest way for residents of, say, Leipzig or Dresden to move West.

City officials in West Berlin say a considerable number of East Germans are likely to seek work in the city – not all legally – in order to earn Western currency and then return home.

The situation will eventually resemble that before the Wall when thousands of East Berliners commuted to work daily in West Berlin.

The reaction of West Berliners to this influx of Easterners is likely to be divided. Those who view the East Germans as competitors for jobs and social services may resent the newcomers' presence.

"For nearly 30 years we said the Wall must go but we knew it would not," one West Berlin city official said. "Now comes the test of our convictions."

He said the Wall was about to lose its "inhuman" function and would mainly serve as an economic barrier preventing highly subsidised goods from being taken out of East Germany and sold in the West. "We can live with that," the official remarked.

Every East German visitor will be entitled to an annual "welcome" payment of DM100 ($54.6) courtesy of the Bonn Government. Last year nearly DM500m was distributed to visitors from East Germany, mainly pensioners but also 1.2m Easterners below retirement age who visited families in the West.

Officials have estimated that the payments will rise to between DM1bn and DM1.6bn next year. One noted that an eventual convertibility of the East German Mark would mean an enormous economic boost to West Berlin.

● AP adds: Mr Johannes Chemnitzer, the Communist Party leader in the East German city of Neubrandenburg, said during a visit to West Germany that the opening of borders in other Soviet Bloc countries was making the Berlin Wall's significance "limited and illusory."

Mr Günter Schabowski of the East German Politburo said the authorities might come to a working relationship with the country's largest opposition group, New Forum.

Outlook for US industry mixed in spite of orders rise

By Anthony Harris in Washington

THE SLOWDOWN in the US economy may be levelling out, though activity in most industries is still sluggish, reports released yesterday show.

The National Association of Purchasing Managers' index, a register of economic conditions, was at 47.6 per cent in October, up from up from 46 per cent in September.

This is the sixth successive reading under 50, which marks an even balance of optimistic and pessimistic reports by managers.

However, it marked the second monthly improvement, from the low point of 45.2 recorded in August. The index is the first indicator to be released for the month.

"The manufacturing economy entered the final quarter with the sixth successive monthly decline...Supply is considerably greater than demand," said Robert Bretz, chairman of the purchasing managers' survey committee.

The report shows that the growth of orders continues to be led by the export sector, despite recent fears that US export growth may be stalled. Nineteen per cent of those reporting showed improved export orders, against 8 per cent reporting a decline. The bullish majority was stronger in earlier months.

The report showed a continued decline in prices paid by manufacturers for parts and materials.

The Federal Reserve "Beige Book," which is a report on current conditions prepared by member banks for the next meeting of the Federal Open Market Committee on November 14, shows a continued mixed picture.

Consumer demand remains weak in durables but recovering in non-durables, and manufacturing activity remaining strong in aircraft, sharply up in farm equipment, but weak in other sectors.

The Beige Book reports troubles in the computer and electronics industries and says that producers of construction machinery and heavy-duty trucks report further slowdowns in orders and sales. But it notes that orders for office equipment may be levelling out.

"Auto industry contacts are optimistic about maintaining current assembly schedules, and shipments of large farm tractors and combines are well above those of a year ago."

Ford poised to launch Jaguar bid by end of this week

By Kevin Done, Motor Industry Correspondentin London

FORD of the US, the world's second largest car maker, was poised last night to launch a full bid to take over Jaguar, the UK luxury car maker.

Ford's decision to move to acquire outright control follows the surprise move on Tuesday by Mr Nicholas Ridley, the UK Secretary of State for Trade and Industry, to waive the use of the Government's so-called golden share, which could have protected Jaguar from hostile predators until the end of 1990.

It is understood that Ford is planning to launch its attack on Jaguar before the end of the week. Barring last-minute changes in financial markets Ford was preparing last night to unveil its offer today.

At the end of trading in London yesterday Jaguar was valued at £1.61bn ($2.54bn), a gain of 10p to 879p.

The Government's move took by surprise both Jaguar and General Motors, Ford's arch domestic rival and the company with which Jaguar had been hoping to agree a package deal, which would have preserved at least a semblance of independence and involved a minority GM stake.

It is understood that Sir John Egan, Jaguar chairman and chief executive, met Mr Ridley late yesterday in London in a meeting that had been scheduled before the minister's announcement on Tuesday.

The decision to waive the golden share had been made without prior consultation with Jaguar, and the luxury car maker was quick to express privately its dismay and the belief that any chance of preserving its independence was now a "forlorn hope".

The Government move, which Mr Ridley said was aimed at resolving the "present climate of uncertainty" over Jaguar's future, has effectively cleared the way for a rapid strike by Ford.

The US group had already informed the US authorities last week that it was prepared to make a full bid for the company if Jaguar's present restrictions on the size of individual shareholdings were removed. Ford has built up a stake of at least 13.2 per cent in Jaguar in the six weeks since it first announced its intention of becoming a "major shareholder" with a total investment to date of around £170m.

Major car makers expected to join in bid battle for Cosworth

By Raymond Snoddy and Daniel Green in London

CARLTON Communications, the British video and television services company, is to sell Cosworth Engineering, the specialist in high-performance car engines, in a deal that could be worth £250m ($392m).

A prospectus is being drawn up for the Midlands-based engineering company and the leading players of the automotive industry such as Ford, Fiat and General Motors are expected to show interest in what could become an international auction.

Carlton acquired Cosworth in May as part of the £490m acquisition of UEI, a digital processing and engineering company. The group has already sold Oxford Instruments, which it acquired under the deal, for nearly £50m.

Mr Michael Green, chairman of Carlton, acquired UEI primarily because of its expertise in manipulating television pictures and video special effects.

He has continued to deny that Cosworth is for sale but it has always been clear that the engineering company sat uneasily in the midst of an integrated television services company.

The first call from a potential purchaser came from Fiat on the day the UEI deal was announced and there have been several subsequent conversations with the Italian group.

The favourite to take over Cosworth, however, must remain Ford, which has had a relationship with the company since the 1960s.

Cosworth, founded by the engineer Dr Keith Duckworth, developed one of the most successful engines in grand prix racing history. Its main industrial importance now is its role in turning out high-performance engines for production cars.

Carlton shares rose sharply yesterday. By late afternoon, attention had settled on a £250m price tag and shares closed 23p up at 778p.

Analysts have believed that Carlton would sell Cosworth ever since the engine builder was acquired with UEI. However, the price they predicted was in the £100m-£200m range.

"Selling for £250m would be well above expectations and very good for Carlton," said one analyst. "There has been some concern about whether Michael Green is a good deal-maker – this would help dispel those doubts." Analysts estimated the deal to be worth another 26p on Carlton's share price, excluding this "sentiment factor."

In the market, opinion was divided on whether Fiat or Ford would be a more likely buyer. Some said Ford would have trouble juggling simultaneous bids for both Cosworth and Jaguar, while others suggested Fiat might be put off by the risk of losing Cosworth's sales to Ford. Another bidder mentioned is Vickers, the UK engineering group which owns Rolls-Royce cars. However, most analysts believe Cosworth would be too expensive for Vickers.

MARKETS

STERLING
New York lunchtime: $1.578
London: $1.5785 (1.578); DM2.900 (2.905); FFr9.8425 (9.8575); SFr2.5375 (2.5475); Y224.25 (225.25); £ index (88.4)

GOLD
New York: Comex Dec $377.0 (377.6)
London: $373.75 (375.25)

N SEA OIL (Argus)
Brent 15-day Dec $19.075 (+0.4)

Chief price changes yesterday: Page 18

DOLLAR
New York lunchtime: DM1.844; FFr6.255; SFr1.62095; Y143.425
London: DM1.8365 (1.841); FFr6.235 (6.2475); SFr1.607 (1.6145); Y142.10 (142.70); $ index (69.6)
Tokyo close: Y143.08

US LUNCHTIME RATES
Fed Funds 9¼%
3-mo Treasury Bills: yield: 8.046%
Long Bond: 102½; yield: 7.907%

STOCK INDICES
FT-SE 100: 2,160.1 (+17.5)
FT Ordinary: 1,738.1 (+16.4)
FT-A All-Share: 1,088.76 (+0.7%)
New York lunchtime: DJ Ind. Av. 2,638.11 (−8.97); S&P Comp 340.34 (−0.02)
Tokyo: Nikkei 35,584.43 (+14.99)

LONDON MONEY
3-month interbank: closing 15⅛ (15⅛)
Liffe long gilt future: Dec 92⅛ (92⅛)

MARKET REPORTS: CURRENCIES, Page 38; Bonds, Pages 23, 24; COMMODITIES, Page 30; EQUITIES, Pages 31 (London), 39 (World)

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The squabbling that threatens success for Airbus

As orders boom, the success of Airbus is being threatened by nationalistic rivalry. Chancellor Kohl (left) is expected to raise the heat further today by renewing demands that a key assembly line be uprooted
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Wanted: a deterrent to nuclear nonsense

The torrent of change in the East has provoked two extraordinary rows in the West

IAN DAVIDSON ON EUROPE

SOONER or later, it was bound to happen. For five years, in the face of the Gorbachev Revolution, the West managed to sustain in public the discreet and sensible posture of concerned but detached observers. In the background there may have been some confused muttering, but on stage Western governments displayed the serene impassivity of an experienced psychoanalyst. But the torrent of change in the East has at last succeeded in provoking two public rows in the West, one entirely stupid, one entirely serious.

The first erupted last weekend between two rival branches of the Bush Administration, the second last week between the German and American governments at a meeting of Nato Defence Ministers in Portugal.

The stupid row is just baffling. The argument was over whether it is still entirely possible, or by now inherently improbable, that President Mikhail Gorbachev will bring off his amazing high-wire act. Mr James Baker, the Secretary of State, has decided to adopt a posture of glassy optimism; in the National Security Council, by contrast, the judgment is dourly pessimistic; and the optimistic Mr Baker has banned a pessimistic speech by Mr Robert Gates, No 2 in the NSC.

This is an odd kind of quarrel, because it can have no bearing on the outcome of events in the Soviet Union. The cheerful smile of Mr James Baker cannot improve Mr Gorbachev's chances of carrying off his reform plan; conversely, there can be no advantage in poor-mouthing him, except for the futile pleasure, at some future date, of saying I told you so.

There may well be some advantage in staging a summit meeting on battleships; the public relations impact may have a sustaining effect on President Gorbachev's reputation at home, and thus on his fortunes; the meeting may lead to valuable agreements. But in terms of the domestic Soviet scene, nothing can be changed by bald predictions of success or failure and it is astonishing that responsible American officials should think this kind of game worth the candle.

The other row, however, is a sight more interesting, because it concerns Western policy rather than empty opinion. The arms control talks under way in Vienna are set to revolutionise the balance in East-West conventional forces, with significant cuts on the Western side and very deep cuts on the Warsaw Pact side; and a deal along these lines may well be within reach before the end of next year. Against this background, the Nato Defence Ministers last week very sensibly, and not a moment too soon, commissioned a study to see what difference this would make to the role of nuclear weapons in the alliance.

Unfortunately the study issue turned into yet another clash over nuclear weapons between the Germans and the Americans. The Americans insisted that it would be a merely conceptual exercise; whereas the Germans claimed that it would be the first step towards negotiations on short-range land-based nuclear missile forces (SNF).

Superficially, this sounds like a semantic squabble; but it points to the continuing deep unease in Nato over nuclear doctrine. Last May, after a prolonged tug-of-war between the Germans and the Americans, the Nato summit hammered out an agreement that it would offer to talk about a *partial* reduction of American and Soviet SNF; but these SNF talks would not begin until negotiated reductions in conventional forces had started to be implemented; and reductions in SNF would not be implemented until the conventional force cuts had been completed.

The trouble with this formula is that, while it may have served to gain time and save face, it does not offer a solution to Nato's central dilemma: what are nuclear weapons for? The Comprehensive Concept of Arms Control and Disarmament, a windy document adopted by the heads of government in May, was an attempt to address the issue; but its answers are unconvincing, both politically and intellectually.

It asserts, for example, that land-, sea- and air-based nuclear forces will continue to be needed in Europe, including ground-based missiles, "in the present circumstances and as far as can be foreseen". Yet the reasons given for these forces are contradictory or unhistorical. It says, for example, that "the Allies' sub-strategic nuclear forces are not designed to compensate for conventional imbalances". And yet we know that that is precisely why Nato strategy depends so heavily on nuclear weapons; moreover, the Nato summit established a clear link between SNF cuts and conventional force cuts.

On the other hand, the Comprehensive Concept says that "the sub-strategic nuclear forces deployed by member countries of the Alliance are not principally a counter to similar systems operated by members of the Warsaw Treaty Organisation". Oh really? So what is the logic of offering to negotiate equal cuts on both sides? And if the role of nuclear weapons is neither to compensate for conventional weakness, nor to offset nuclear weapons on the other side, what are they there for?

For the time being, Nato probably has to make do with the unsatisfactory fudge of the Comprehensive Concept. The Vienna talks may succeed in eliminating the Soviet Union's substantial superiority in conventional forces, but until that great day, Nato has to stick with its existing defence posture. By virtually common consent, President Gorbachev is the least threatening Soviet leader in 45 years; but his pacific intentions have yet to be translated into reliable new relationships, and no-one knows whether a set-back to domestic perestroika would lead to a foreign policy reversal. For the moment, caution would be a sensible watchword for the West.

But caution will not necessarily be sufficient for very long. If we do get within reach of a conventional force balance in Europe at significantly lower levels, voters everywhere will want a much better rationale for nuclear weapons than they were given in May. Mr James Baker has declared that perestroika provides the "clearest opportunity to reduce the risk of war since the dawn of the nuclear age". And the International Institute for Strategic Studies has concluded that planned unilateral Soviet force cuts would virtually rule out a surprise attack on Nato.

Obviously, the Nato allies will continue to need *some* form of nuclear deterrence so long as any potential adversary has nuclear weapons. But new circumstances may justify a much lower threat assessment. But, in any case, when Nato leaders move boldly from the general need for nuclear deterrence, to the specific claim that Nato will need land-, sea- and air-based nuclear weapons in Europe, including land-based missiles, they are making a very large leap indeed. Moreover, it is not a very well-judged leap, since everybody knows that the Germans will refuse to put it into practice.

No one wants to talk about nuclear weapons when there seems a realistic chance of building peace. But the price of talking unrealistic nonsense about nuclear weapons, is that it creates gratuitous political stresses on the political coherence of the West, for the sake of a doctrine which is out of date.

Hungary bid for European social fund membership

A COUNCIL of Europe refugee committee, meeting in Hungary for the first time, is backing Budapest's bid to join the council's social development fund to help it cope with the influx of Romanian refugees, Reuter reports from Budapest.

No East European state is currently a member of the council. Joining the social development fund would be a step towards full membership, which is limited to states that accept the rule of law and accord citizens full human rights.

"Membership (of the fund) would be a practical response to Hungary's search for political and financial support from Western governments," the committee's chairman, Wilfried Bohm of West Germany, said in a statement.

Cash-strapped Hungary faces severe problems in coping with the nearly 27,000 Romanian citizens who have arrived in the country since January 1988, seeking refuge from the hardships of life under Romanian President Nicolae Ceausescu.

Hungary, which is moving from one-party Communist rule to political pluralism, has broken bilateral agreements with hardline Communist Romania by allowing them to stay.

Most of the 23,500 refugees still in the country are ethnic Hungarians from the former Hungarian territory of Transylvania. More than 1,100 are ethnic Germans and 4,200 ethnic Romanians.

Rome's vote counting system cannot add up

By John Wyles in Rome

A NEW addition was made yesterday to the doleful list of public services whose functioning in Rome leaves something to be desired.

Amid embarrassed explanations of incompetence from one quarter and denunciations of fraud from another, it has become clear that the Italian capital's system for counting votes is something less than a well-oiled machine.

It is less efficient, for example, than the vote-winning juggernaut of Mr Vittorio Sbardella who, against all expectations, secured the leading slot for his Christian Democratic Party (DC) in city elections on Sunday and Monday.

In fact, so overwhelming was the performance by this bulldozing boss that for about 16 hours after polls closed on Monday, the DC was credited with 33,000 too many votes.

This was enough to produce headlines in Tuesday's papers affirming a resounding success both for him and his patron, the Prime Minister Mr Giulio Andreotti, in holding on to virtually all the DC's 1985 vote after four years of modest, latterly scandalous, guidance of the city.

Officials said later they had realised at midnight that they were putting out misleading results, but the press was not told until 5am on Tuesday. It was a computer which finally could not stomach the fact that 48,000 more votes were allocated to parties than the total of votes cast.

Its electronic protests registered the fact that the main beneficiaries of this surplus had been the DC and that in the cool light of dawn the party had lost a seat rather than gained one – while the Communist Party's decline was fully half a point less than initially reported.

The Communist Party yesterday delivered a dossier on "dubious cases" to the DC Minister of the Interior, Mr Antonio Gava – whose own constituency around Naples, coincidentally, has been the subject of magistrates' inquiries into allegations of voting frauds in the 1987 election.

Mr Angelo Barbato, who has been governing Rome as a special commissioner since the council was dissolved on the instructions of President Cossiga in July, is the apologetic leader of the "incompetence" party. He says there were "misunderstandings" during the telephoning of results from the individual sections where they are counted to the election centre in the Campidoglio, Rome's town hall. Such a thorough check was still being made yesterday morning of written results sent in from the sections that a set of final results appeared more than 48 hours after polls closed.

This showed small alterations in nearly all the parties' scores. The DC – initially credited with just over 33 per cent – finished at 31.93 per cent, while the Communists – in the course of several recounts – made a continual upward climb from Monday night's "result" of 26.12 per cent to arrive at 26.84 per cent.

Swedes are vague on tax changes — but they're sure they don't like them

By Robert Taylor in Stockholm

THE SWEDES, the world's most highly taxed people, are in no hurry to see a reform of their tax system, according to a nationwide opinion survey published yesterday by the Swedish business weekly Veckans Affarer.

The country's political leaders are meeting almost around the clock trying to hammer out the final details of what is supposed to be the biggest shake-up of the country's tax structure in a hundred years; but voters seem rather uncertain about the process, despite a daily barrage of comment and information from the media.

When asked whether they wanted the tax reforms carried out before the next general election due in September 1991, as many as 42 per cent said that they preferred to wait until after that date, while 21 per cent said they did not know what they wanted and only 37 per cent favoured the introduction of the tax changes before the general election.

In fact, the ruling Social Democrats are pledged to push through the reforms by January 1991 and hope to do so in two instalments with the first coming next January.

Nor does there seem widespread enthusiasm for the Government's present tax plan which is designed, among other changes, to cut the marginal rates paid on personal incomes from their present 72 per cent to 50-55 per cent for the better-off.

Only 39 per cent of Swedes asked said they thought the proposals were good or very good while as many as 27 per cent believed they were bad or very bad. This result also suggests that just over a third have no view at all on the merits of the tax reforms.

Less than a third of blue-collar workers in both the private and public sectors and a similar proportion of public sector white-collar workers were positive about the tax plans. The majority view among Swedes seems to be that the proposals will benefit only the already better-off and not the rest of the population.

Surprisingly few, however, seemed to have any idea what is being proposed. Only 40 per cent of those questioned said they knew a great deal or anything about the proposals.

However, there is some suggestion in the survey that the young, and particularly young men, believe the reforms will provide an incentive to work harder and longer hours, though as many as 66 per cent thought it would do nothing to encourage them to save more, compared with 16 per cent who thought it would.

Women in general have the least expectation of improving their income position after the reforms, especially younger women because many of them have family responsibilities and lack the opportunities to extend their paid working hours.

As many as 43 per cent of Swedes surveyed believed the tax plan would make no difference to their own post-tax position though a similar proportion expected they would gain from the changes, with 16 per cent believing they would make SKr500 (£49.50) more a month after the tax reforms. Fourteen per cent thought they would actually be worse off.

Half those asked said that a tax on shares was the best way of recouping the reduction in income caused by lowering personal tax rates, while 49 per cent also thought that company cars should be taxed and 31 per cent luncheon vouchers. On the other hand, very few want to see more indirect taxation on services, travel, the use of energy and pension savings.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1; Telephone 069-75980; Telex 416193) represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

EUROPEAN NEWS

Karabakh chief rejects call to end Moscow rule

By Quentin Peel in Moscow

THE SOVIET administrator of the strife-torn territory of Nagorno-Karabakh yesterday rejected calls for direct rule by Moscow to be abandoned, and for Soviet troops to be withdrawn.

Mr Arkady Volsky warned that such action, demanded by the republic of Azerbaijan, would precipitate a new wave of bloodshed in the disputed region. However, he called for the local Communist party committee, and the regional government, to be restored to share power with his special administrative committee.

Mr Volsky's statement is the clearest indication yet of a secret decision in Moscow on how to bring peace back to Karabakh – and appears to fly in the face of Azerbaijani hopes for an end to direct rule. A threatened republic-wide strike was called off last month after assurances that Mr Volsky's committee would be disbanded.

He also revealed yesterday that his authority is already being openly flouted. Azerbaijani nationalists had seized control of the local television relay station and were refusing to broadcast national programmes, substituting them with "unruly and abusive texts and discussions," he said.

Mr Volsky's interview was published in Moscow News, the outspoken weekly newspaper, which also revealed that an 18-month-long road and rail blockade of the entire Karabakh region has yet to be broken, causing severe food and fuel shortages. Supplies have to be flown in from neighbouring Armenia.

The majority Armenian population in Karabakh have demanded to leave Azerbaijan and join Armenia, a move which has caused a furious backlash in Azerbaijan. Direct rule from Moscow was imposed last year to end months of race riots and protest strikes, but to little avail.

Mr Volsky said any decision to abolish his special administrative committee in Karabakh would mean an end to the curfew, and the removal of Interior Ministry troops. "We must not do this, because very soon we would have to bring them back," he said. "This will not be any comfort for those who have already died."

He rejected calls for a referendum on the future of the region, saying it would be pointless. A vote held in Karabakh alone would decide to join Armenia, whereas a vote in the whole of Azerbaijan would say the opposite.

He then revealed that state television employees in the town of Shusha, the main centre of Azerbaijani population in Karabakh, had seized control of the local relay station, and jammed national television programmes.

Executives of the television service were flown from Moscow, and Soviet soldiers installed in the studios, but they had to withdraw after "the building was surrounded by a crowd of thousands of people. Of course, the order was not given to shoot."

MINERS IN the Ukraine, demanding improved pensions and holidays, staged warning strikes in the Soviet Union's largest coalfield yesterday and were considering further action, a strikers' representative told Reuter in Moscow. He said that virtually all 28 mines in the important Donetsk mining centre had stopped work for two hours.

The action took place a day after miners' leaders in the Ukraine decided against resuming the three-week strike that crippled most of the country's pits in July. But the results of a pit referendum revealed a deep split among miners.

The strikers' spokesman said they were demanding a specific date on which new regulations governing holidays and pensions would be sent to the Supreme Soviet, the country's parliament.

He said representatives of about half the area's pits had massed in front of the regional Communist party headquarters in Donetsk to make their demands known.

UK-German assault on closer EC co-ordination

By David Buchan in Brussels

THE European Commission has been faced with an Anglo-German attempt to water down draft rules for closer economic and monetary co-ordination which it is shortly to present for the approval of EC finance ministers.

Largely at West German and British insistence, the EC's Monetary Committee has called for three changes to the Commission's proposals on how finance ministers and central bank governors *should* concert their policy moves from July 1, when stage one of the Delors plan for tighter economic and monetary co-operation is due to start.

The Commission has to decide whether to incorporate the changes into its proposals. They would revise the 1964 and 1974 EC Council decisions that have formed the basis for past policy co-ordination between finance ministers and central bank governors.

The changes in the proposals call for:

● A watering down of the proposal that ministers and governors concert reaction to external economic events through EC bodies. Britain and West Germany want to continue to make meetings of the Group of Seven the focus of their policy discussions with the US and Japan. By contrast, France and Italy, the two other EC states in the G-7 group, are content to boost the EC axis of their international economic policy.

● Reporting by the central bank governors to the European Parliament alone, and not to the twice-yearly summits of EC leaders. Keeping governors out of the summit limelight may be institutional jealousy on the part of the Monetary Committee, where finance ministry officials tend to predominate over central bank ones.

● A weakening of any commitments which individual countries might take on as a result of the Commission's proposal for more vigorous debate among finance ministers and greater "peer group" scrutiny of each other's policies. West German, and to a lesser extent British, officials have pushed for this weakening inside the Monetary Committee.

Bonn and Paris to discuss aid for Poland

By David Marsh in Bonn

PRESIDENT François Mitterrand and Mr Helmut Kohl, the West German Chancellor, will try to reach agreement on boosting international aid for Poland at a crucial two-day summit starting in Bonn today.

The talks between ministers on both sides will hinge on ways of speeding west European integration, so as to strengthen the European Community's hand as it seeks to respond to events in Eastern Europe. Differences between Bonn and Paris, however, may surface over West Germany's efforts to open a new production line in Hamburg for the Airbus airliner – a proposal strongly opposed by the French.

Mr Mitterrand and Mr Kohl will be comparing notes on the latest political changes in East Germany. Mr Kohl is likely to reassure France that any move towards German reunification will take place only in the framework of overall moves to break down East-West barriers.

Anxious to bind the Federal Republic still more firmly within the Western community, Mr Mitterrand will press the Bonn Government to speed up efforts to forge European monetary union (EMU).

Mr Mitterrand said last week he wanted the Community summit in December to agree to hold in the second half of next year a conference to change the Treaty of Rome and pave the way for EMU.

Opinion in the Bonn Government and at the Bundesbank on the speed with which monetary union can be accomplished is divided. But Mr Kohl seems likely to agree to start the conference in the second half of 1990, with the strong possibility that crucial decisions on EMU could be delayed until 1991 – after the German general elections in December next year.

On aid for Poland, Mr Kohl wants to co-ordinate his approach with France before his five-day visit to Poland starting on November 9. Bonn advocates generous debt rescheduling, together with credits to finance individual economic projects. But the West Germans oppose global Marshall Fund-type aid.

Mr Kohl badly needs an international consensus to avoid overtly taking the lead in Western support for the reformist government. In view of centuries of German-Polish conflict, relations with Warsaw are still very delicate.

This has been highlighted by the discord over the Chancellor's plans to visit the Silesian monastery of Annaberg, near the Czech border, on his Polish trip. The site, the scene of a bloody confrontation in 1921 between German soldiers and Polish rebels, is a patriotic symbol for both sides.

Squabbling that threatens success, Page 25

Kurds face another bleak winter

Jim Bodgener takes a trip with the army to Turkey's insurgency

Winter is fast approaching in the rugged mountains of Turkey's south-east where guerrillas of the separatist, Marxist Kurdish Workers' Party (PKK), operate. Blizzards and the cold are expected to drive the guerrillas down from their mountain hide-outs where security forces will be waiting for them, according to senior gendarmerie officers.

Some will evade the net, and return to bases in Iran and Syria, while others may winter in deserted hamlets and settlements.

This year's migration comes after a sharp escalation in fighting between the Kurds and the Government in Eastern Turkey. Since March the death toll from clashes has doubled to around 70 a month, clashes with a people who do not officially exist, who speak a "non-language" and belong to a proscribed organisation.

For Turkey the Kurdish insurgency in the South is not just a serious military threat but also a growing international political problem fueling European opposition to Ankara's entry into the EEC.

While the insurgency continues it fuels growing resentment of the suppression of Kurdish ethnicity elsewhere in Turkey, particularly in the main opposition Social Democratic Populist Party (SHP). Many of its moderate and left wing deputies come from the south east and, although they do not say so, are ethnic Kurds. This to some extent mirrors the vicious internecine polarisation in the south-east between PKK sympathisers and Government supporters.

Brigadier General Kamil Basar, gendarmerie commander in Hakkari province, estimates there are around 2,250 PKK guerrillas currently operating in the south-east.

According to Mr Hayri Kozakcioglu, Super-vali, or regional governor handling security in six provinces of the south-east, the security forces were winning during the summer because they brought the battle to the PKK, not the other way round. He made the comments during a helicopter visit to the region arranged by the Government for foreign journalists. The insurgency had been contained in an area centring on the Cudi mountain massif, and embracing parts of Siirt, Mardin and Hakkari provinces, he claimed.

But so long as the root lay outside in external support, the government could only contain the problem, Mr Kozacioglu tacitly admitted. The official line is that neighbouring powers, jealous of Turkey's economic development, seek destabilisation and backwardness in the south-east through the PKK's destruction of infrastructure like dams, water supplies, roads and electricity lines, schoolroom tactics in guerrilla warfare.

Officials point the finger of blame at Syria and PKK training bases in the Syrian-controlled Bekaa valley; Syrians and Armenian Syrians have had been discovered running with the guerrillas inside Turkey, said Brigadier-General Basar. PKK fighters had also infiltrated from two bases recently established in Iran.

Sealing the borders is well-nigh impossible, although cross-border trade has ceased with Iraq since Baghdad cleared a 30km wide cordon sanitaire against Iraqi Kurdish guerrilla fighters from the Kurdish Democratic Party (KDP).

In Turkey there were around 30 villages whose 10,000 inhabitants were in danger of cross-fire, and would be helped to move if they wanted to, said Mr Kozakcioglu.

"For years, these mountains have been full of bandits," he added. The border bad-lands from the air are a maze of jumbled peaks, ridges, river valleys, switchback ravines and gullies, caves, and remote villages and settlements.

Arrayed against the PKK are security forces answering to Mr Kozakcioglu – gendarmerie, special police hit teams, and village guards – numbering around 30,000. Based in the region are also about 100,000 soldiers and airmen, contingents of which sometimes take part in combined operations with the security forces.

There are around 15,000 village guards. They join up both for security and economic reasons, their monthly pay around TL400,000 compares with the national minimum wage for adults of TL225,000 and the area is one of the most deprived in Turkey.

Many Kurdish *agas* (landlords) are inimitably opposed to the PKK's ideology; one in the gendarmerie officers' mess in Hakkari town was wanting more guns for a spring offensive. Other *agas* side with the guerrillas for self-preservation, distrust of the security forces, and sometimes because of tribal politics. Although officially denied, clan loyalties and feuds are inextricably bound up with the struggle.

Lately, there has been an increase in the "kidnapping" of young people, aged upwards of 13-14 years old, who the PKK train and indoctrinate over the border, although some go voluntarily, officials said.

Throughout the summer, the PKK has thrown into the front-line ill-trained fighters barely out of childhood, they added. But independent reports say the youths receive up to two years of intensive training

The government's claim to have bottled up the PKK in Cudi does not explain why peasant are fleeing villages in Van province for fear of an outbreak of terrorism. Nor does it square with the security forces' need for an unspecified number of Apache helicopter gunships to be delivered soon.

What is clear on the ground is that the insurgency will be a running sore in Turkey's strategic south-eastern flank for some time to come.

Ozal rejects report on torture

By Jim Bodgener in Ankara

MR TURGUT OZAL, Turkey's Premier and President-elect, yesterday declared his belief in freedom of thought, religion and enterprise but stopped short of promising to lift a constitutional ban on Communist and religious parties.

The Premier, due to become head of state on November 9 following a parliamentary ballot on Tuesday, also dismissed as ill-intentioned a report by Amnesty International saying that torture remained widespread in his country.

The study says that more than 500 political prisoners have claimed they were tortured in Turkey so far this year, and that 10 prisoners are reported to have died

The human rights body says use of torture to obtain information or extort confessions is "continuing unabated,"

Mr Ozal said the report reflected the influence of "circles in Europe" who wanted to influence the climate of opinion ahead of the European Commission's reply to Turkey's two-year-old bid to join the Community.

He declined to say, before his inauguration speech, whether he wanted to change the constitution drawn up by the military in 1982. He indicated, however, that it would be difficult to delete articles 141 and 142, which ban Communist and religious parties.

New US military aid for Contras ruled out

By Lionel Barber in Washington

THE White House yesterday condemned President Daniel Ortega's suspension of the cease-fire with the US-backed Contras in Nicaragua as "deplorable", but rejected suggestions that the decision would lead to a renewal of US military aid to the rebels.

Mr Ortega formally ended the fragile 19-month ceasefire in an announcement yesterday morning, dispelling last-minute hopes that the decision might be reversed or postponed.

Mr Marlin Fitzwater, White House spokesman, said Mr Ortega's move seemed aimed at undercutting plans for next February's elections in Nicaragua. President George Bush was talking by telephone with regional leaders to get the cease-fire back on track, he said.

The relatively moderate US response reflects the Bush administration's desire to take the moral high ground by clearly supporting next year's elections.

The aim is to isolate the Sandinistas in the hemisphere by casting doubt on their commitment to the ballot box.

The extent of the US response in future is also likely to depend on whether Mr Ortega actually orders Sandinista troops into combat with Contra rebels, most of whom are in neighbouring Honduras, a State Department official said.

It will also rest on the degree of pressure from Congress, where Mr Bush has faced criticism of being timid and cautious in his foreign policy, notably in the recent failed coup attempt in Panama.

Mr Ortega first announced his government's intention to lift the ceasefire during last weekend's hemispheric summit in San José, Costa Rica. The Nicaraguan leader also said that he would reconsider the decision if the US Congress would rechannel the money at present funding logistical support for the Contras and use the funding for assisting in their demobilisation instead.

His threat drew widespread condemnation in Congress. The US Senate voted 95-0 decrying the move, while even liberal opponents of the Reagan administration's policy of supplying military aid to the Contras expressed dismay.

Though the Tela peace accords provide for the demobilisation of the Contras, Mr James Baker, US Secretary of State, has made it clear that the process must be voluntary. The White House yesterday reaffirmed that the US wanted "repatriation and demobilisation" and said that it was inappropriate to talk about renewed military aid.

Mr Fitzwater said: "Our first purpose, our only purpose at this point, is to get the cease-fire back on track, to try to get the Sandinistas to recommit to the peace process, and to move forward to elections in February."

Vice President Dan Quayle, who usually serves as a stalking horse for hard-line supporters of Contra military aid, rejected such talk: "The time right now is to focus on fair and free elections. We're going to continue to travel on that road."

The Contras are currently receiving humanitarian aid including food, medicine and clothing from the US. This is due to expire next February after the election.

Ending truce puts war back on the agenda

Tim Coone on the risks Ortega runs in calling off the ceasefire against the Contras

UNDERSTANDING the logic of Nicaraguan diplomacy is sometimes like peering into a hall of distorting mirrors. Nothing appears as you expect it to.

The timing of President Daniel Ortega's announcement of an end to the 19-month ceasefire against the US-backed Contras, has been interpreted by many western diplomats, and in Washington, as a blunder and a demonstration that the ruling Sandinistas are unwilling to follow-through on democratic reforms.

Seen from inside Nicaragua however, there is a perfect logic to the move. The key to understanding this is the significance of the December 5 deadline for demobilising the US-backed Contras based in Honduras.

This plan was agreed at the Tela summit last August among the five Central American presidents. It was seen as a big diplomatic success for the Nicaraguans because, for the first time, all the Central American leaders agreed that the US-backed war in Nicaragua must come to an end and that demobilisation of the 12,000-strong army must be compulsory.

In return, the Sandinistas approved democratic reforms at home and guaranteed a free and fair electoral process in next February's general elections.

The US administration has been against the Contra demobilisation plan, and approved humanitarian aid for them to remain intact until after the February elections.

For the Sandinistas, however, a continuing military threat from the Contras after next February is almost a guarantee that the results of the elections will be disputed both by the hard-line leadership of the Contras, and by hawkish elements in Washington.

A series of recent attacks by the Contras have meanwhile strengthened the government's argument that the electoral process is being undermined and that the government has an obligation to protect the lives of its citizens and to ensure that military actions will not disrupt the elections in the countryside.

Realpolitik dominates domestic perceptions of the Nicaraguan war and politics. Moral issues aside, will the US now renew military aid to the Contras? Will Mr Ortega then cancel the elections? Will the war continue for the duration of the Bush administration?

The Sandinistas will have carefully weighed these questions before threatening the new military offensive. If Mr Bush decides to respond by renewing military aid, he is likely to be saddled with the war for his entire term of office. He would also jeopardise Nicaragua's elections.

As under the Reagan administration, Nicaragua would then continue to be a stumbling block to an improvement in US relations with the rest of Latin America. The dominance of the Nicaraguan issue at last weekend's Panamerican summit in San José was a clear indication of things to come if the Nicaraguan crisis cannot be resolved soon.

Another element in the Sandinistas' calculation is the political situation in neighbouring Honduras, which has been harbouring the Contras' rear-bases. Presidential elections are due there on November 28 and none of the candidates has campaigned in favour of maintaining an armed Contra presence.

Any US move to boost the Contras would have to have at least tacit Honduran backing, and the present circumstances this would be most unlikely.

At the same time there will be mounting diplomatic pressure. Intense behind-the-scenes diplomatic activity, led by Costa Rica, Venezuela, Argentina and Canada, is now under way to try to prevent a collapse of the Central American peace process. Mr Ortega has called for a meeting in the United Nations this week to bring together the governments of Honduras and Nicaragua as well as leaders of the Contras, to stop the conflict escalating.

Mr Ortega said yesterday: "What we are looking for is not a renewal of the ceasefire but a definitive end to the war."

By putting the war back on the agenda now, he appears to be gambling on reluctance in Washington to immerse the US again in the Contra issue, largely seen as a legacy from the Reagan era, and to force the Bush administration to take a clear stance on the survival or demobilisation of the Contras.

Sarney accused of promoting TV star as election candidate

By Ivo Dawnay in Brasilia

DAMAGING charges have been levelled against President José Sarney of Brazil that he was behind a secret conspiracy to launch the television star, Mr Silvio Santos, in a last-minute bid for the presidency of the republic.

Two weeks to go before polling, newspapers and public figures were yesterday unanimous in their condemnation of the late entrant, claiming his challenge had been engineered by opponents to the front-runner, Mr Fernando Collor.

Most businessmen and conservatives fear the popular star will take working-class votes from Mr Collor and could open the path to a left-wing victory.

The more liberal media have also attacked Mr Santos, describing his decision to run as unparalleled opportunism, making a mockery of the country's first free presidential elections in 29 years.

But the most damaging attack has come from Mr Antonio Emirio de Moraes, owner of Votorantim, Brazil's largest private sector company, and a respected business leader.

Mr Emirio accused the president of secretly promoting Mr Santos's candidacy and jeopardising Brazil's future for personal political ends, linked to Mr Collor's fierce criticisms of his government.

He went on to claim that Mr Sarney had first approached him to challenge Mr Collor at a secret meeting on September 4. However, the businessman had declined, saying that it was wrong to enter the race so late.

Mr Sarney has since denied Mr Emirio's allegations, claiming he has always insisted on staying out of the presidential race. However, the businessman's credibility is widely considered much greater than that of the president.

The variety show host has still a big obstacle to climb: the electoral authorities have to adjudicate over his right to stand, probably within 10 days. There is certain to be fierce opposition.

But despite the anger in high places, many ordinary Brazilians – Mr Santos's true constituency – appeared unmoved by the row. "Didn't the Americans have an actor as president once?" a transport worker asked. "I heard he was one of their best."

Summit to be held off Malta

By Peter Riddell

NEXT month's summit between President George Bush and President Mikhail Gorbachev will be held in the waters of the Mediterranean off Malta, the White House announced yesterday.

The summit has generally been welcomed in the US, with the only criticism coming from conservatives.

US officials have made clear that they expect a key topic at the talks to be the security implications of the recent rapid changes in Eastern Europe and the Soviet Union.

The Democratic leadership in Congress, which has recently criticised Mr Bush for being too cautious in his approach, backed the meeting as a positive step.

Senator George Mitchell, the Democratic majority leader, said he hoped the meeting would "aid the effort to achieve meaningful arms control at the summit set for next spring". But he added that the announcement did not deal with the substance of policies and did not change his opinion that Mr Bush's approach to changes in Eastern Europe to date had been timid.

The only serious criticism came from conservative Republican Senator Jesse Helms, who dismissed the event. "It sounds as if Mr Gorbachev is just engaging in more public relations. I hope that no fundamental decisions of any sort will be made." From a different angle, the New York Times expressed concern about whether the meeting would be merely "a photo opportunity summit session". It argued that the meeting should go beyond symbolism to give impetus to the arms control agenda.

Sovietologists in Washington stressed the domestic advantages for both leaders in the meeting.

More conservative analysts argue that the meeting is a concession to Mr Gorbachev to distract attention from his domestic problems.

Debt ceiling problems halt securities sales

By Peter Riddell, US Editor, in Washington

THE US Treasury yesterday suspended sales of state and local government securities because of the failure to pass legislation raising the federal debt ceiling.

At midnight on Tuesday, the debt ceiling reverted to $2.8 trillion (million million) from $2.87 trillion as a temporary increase expired and Congress had failed to approve a new ceiling.

Because of temporary borrowing earlier this week by the Treasury, default has been postponed until November 8, unless a new debt bill is increased by then. However, in the interim, the federal government lacks authority to issue any new debt obligations.

Manoeuvring continued yesterday about how to break the legislative logjam, with both Democratic and Republican leaders putting forward compromise proposals to separate the contentious issue of capital gains from the measures to raise the debt ceiling and to cut the budget deficit.

Mr Dan Rostenkowski, the chairman of the House Ways and Means committee, said yesterday: "The clock is ticking and time for responsible action is running out." He said the White House was apparently willing to push the US to the edge of default in its quest to win a capital gains tax cut.

He warned: "The slightest miscalculation could push us over the edge into a financial abyss if our government were to default for the first time in our nation's history."

Senator George Mitchell, the Democratic majority leader, described the latest Republican offer – tying capital gains to a bill covering catastrophic health and employee health benefits – as "a frank admission" that supporters of lowering the tax rate on asset sales do not have the votes to win.

The White House is trying to keep up pressure by threatening to veto the deficit reduction legislation if it contains any unrelated proposals. Senator Bob Packwood, the senior Republican on the Senate Finance committee, said yesterday that President George Bush was leaning more towards accepting as permanent the $16bn across-the-board cuts in spending, known as sequestration, triggered two weeks because of the failure to pass a budget.

Pan Am files suit over Lockerbie bombing

By Lionel Barber

LAWYERS for Pan Am are seeking to show that US authorities were tipped off about an imminent attack against Pan Am 103, 24 hours before it exploded over Lockerbie in Scotland, killing 259 passengers and 11 people on the ground.

According to court papers, the airline plans to take depositions from the Federal Bureau of Investigation, the Central Intelligence Agency, National Security Agency and Drug Enforcement Administration, from November 13 to 20 in Washington.

The warning is said to have been delivered by Mossad, the Israeli intelligence service. The BKA, the West German criminal investigation service, is also said to have warned US authorities about "suspicious activities" in the baggage area at Frankfurt airport, where Pan Am 103 departed for Heathrow en route to the US.

The legal case has been filed by Pan Am and its security company and is the latest effort to prove that authorities were broadly aware of a terrorist attack against a US airliner. This has been strongly denied.

OVERSEAS NEWS

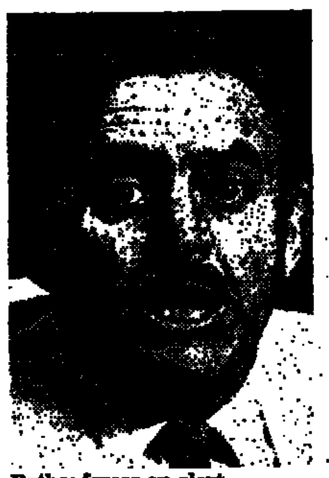
S Africa alleges Swapo incursion into Namibia

By Michael Holman, Africa Editor

SOUTH Africa yesterday accused Swapo guerrillas of crossing into Namibia from bases in neighbouring Angola in violation of the UN plan for the territory's independence.

The allegation, made in Pretoria by Mr Pik Botha, the Foreign Minister, raised fears that elections beginning next Tuesday could be disrupted. Mr Botha said: "If this threat cannot be removed and these activities cannot be stopped, then free and fair elections cannot be held."

In Windhoek, however, Swapo called the accusation "devoid of any thread of truth." Western diplomats expressed scepticism last night, saying they had obtained no independent verification of Mr Botha's claims.


Botha: forces on alert

The independence plan was jeopardised last April, when more than 200 guerrillas died in clashes with South African forces after an incursion into northern Namibia. The crisis was defused only after Swapo, the nationalist party thought most likely to win next week's election, agreed to abide by the terms of the plan and retired deep into Angola.

Mr Botha's allegation came less than a day after a UN Security Council resolution calling for all parties to comply with the independence plan singled out South African-backed paramilitary and commando units for criticism.

Under the plan, monitored by a 6,500-strong force of troops, police and civilians, South Africa agreed to allow independence elections in the territory in return for the phased withdrawal of some 50,000 Cuban troops in Angola.

Speaking at a hastily summoned press conference in Pretoria, Mr Botha quoted exchanges between UN posts in Namibia which said that "the situation is becoming critical, repeat critical" as a result of the alleged incursion.

South African security forces had been put on the alert, said Mr Botha, and Pretoria had called on the Security Council to intervene.

Unless South Africa was assured that there would not be a recurrence of the April incursion, the Government reserved the right to take "the steps required." Mr Botha said his staff had intercepted UN messages referring to the infiltration of more than 600 guerrillas, and vehicle convoys, between October 23 and 31. He would not disclose how the messages had been intercepted.

As polling approaches, other political parties in Namibia have charged Swapo with torture of opponents held in camps in Angola, and diverting funds intended for Namibian refugees to the party.

For its part Swapo has accused Pretoria of failing to disband units of *Koevoet*, the counter-insurgency force notorious for its brutality.

Fear of renewed Lebanese war raised by murder of Saudi

By Lara Marlowe in West Beirut

THE assassination of a retired Saudi embassy employee in West Beirut yesterday further jeopardised a proposed presidential election here and increased fears that hostility between Iran and Saudi Arabia will result in yet another proxy war on Lebanese territory.

Mr Mohammed Marzouqi, a 68-year-old Saudi citizen, was climbing into his car in the residential district of Tallet Khayyat when three gunmen shot him at close range. The assassination was claimed by "Islamic Jihad", a pro-Iranian fundamentalist group which holds at least two of the eight American hostages in Lebanon.

Yesterday's murder was interpreted partly as a manifestation of Iranian and Lebanese Shia Moslem dissatisfaction with the agreement endorsed in Saudi Arabia by a majority of Lebanese parliamentarians last month.

France yesterday issued a veiled but forceful call for the departure of Syrian troops from Lebanon, following up a statement on Tuesday by the five permanent members of the United Nations Security Council urging all Lebanese to put into effect the agreement reached in Taif, Saudi Arabia, George Graham reports from Paris.

Mr Roland Dumas, the French Foreign Minister, announced that he welcomed the five nations' statement calling for Lebanon's full sovereignty to be restored over its territory. "To be effective, this restoration implies, in the eyes of France, that the Lebanese territory should be free of any non-Lebanese military presence," he said. France's welcome to the Taif agreement has been muted, largely because it failed to settle the problem of Syria's presence.

Since the agreement was reached on October 22, Islamic Jihad has issued a spate of threats against the deputies as well as Mr Lakhdar Ibrahimi, the Arab League's special envoy to Lebanon.

The Iranian Government and Iran's Shia Moslem allies in Lebanon say they condemn the agreement because it leaves the presidency of Lebanon in the hands of the Maronite Christians and gives more power to Sunni Moslems who are favoured by Saudi Arabia. While Saudi Arabia sponsored the three week meeting which led to the accord in Taif, the Iranian Government invited Lebanese Moslem opponents of the Arab League peace plan to Tehran.

Ironically, pro-Iranian extremists have found common cause – but for entirely different reasons – with Gen Michel Aoun, the Lebanese Christian leader, in their attempts to prevent the holding of presidential elections by the November 7 deadline set by the Arab League.

Gen Aoun says he would not allow the election to be held while Syrian troops remain in Lebanon. The Taif agreement recognises the "security role" of 40,000 Syrian troops in Lebanon for two years following the election, and would then require them to withdraw only to the east of the country.

Late on Tuesday night, Gen Aoun told Lebanese reporters that there would be "no session of parliament before Christian deputies return to consult with me. I will immediately use my powers to dissolve parliament before it goes ahead with the presidential election."

Gen Aoun is now isolated in the Christian camp, with virtually all other Christian militia, political and religious leaders saying that his dissolution of the parliament would be unconstitutional and disastrous for Lebanon. Lebanese newspapers are calling this "the week of confrontation".

The Sunni Moslems, for the most part middle class business people, are one of the few groups in Lebanon without a militia to defend them. Many Sunnis maintain close ties with Saudi Arabia and fear that yesterday's assassination of Mr Marzouqi could be the prelude to attacks by pro-Iranian Shias against Sunni interests.

Saudi Arabia closed its Beirut Embassy in 1985 after pro-Iranian fundamentalists ransacked the building and set fire to it. When the Saudi staff were transferred to Damascus, Mr Marzouqi, an accountant married to a Lebanese, chose to stay behind in Beirut to administer the payroll for the Lebanese staff.

Islamic Jihad said Mr Marzouqi had been murdered in revenge for the beheading in Saudi Arabia of 16 Kuwaiti Shias accused of planting bombs in Mecca last July.

Tough law passed to curb rallies

By Peter Ellingsen in Peking

JUST DAYS after removing troops from Tiananmen Square and strategic city overpasses, the Chinese Government has enacted a tough new law which gives authorities the right to ban demonstrations it believes are a threat to social order or the interests of the state.

The restrictions, designed to prevent a repeat of the democracy rallies that shook the country earlier this year, require anyone wanting to take to the streets to have written permission from the police, who have been handed virtually unlimited authority to crush "unlawful" gatherings.

The troop withdrawal is seen as a tentative step toward lifting martial law in Peking. Crossroads are now unguarded but armed police will remain in the square and be able to call on army units based around the city.

By giving police wide-ranging new powers over public protest, the Government has reduced its dependence on the military and provided a legal basis for crushing dissent.

Though promoted as a way of "protecting citizens' rights," legislation enacted on Tuesday by China's Parliament, the National Peoples' Congress, gives police a virtual veto on any street protest.

The law says people can meet, parade and demonstrate, but only with police approval, and only if they do not offend a blanket set of taboos. According to Xinhua, the official news agency, protests will not be permitted if they infringe on China's "reunification, sovereignty, or territorial integrity, or incite national separation, or threaten security or social order."

Protests are also not allowed to go against the principles of China's constitution, even though that document guarantees right of expression. Government employees, who were a prominent embarrassment to the party during rallies in May, are prohibited from joing protests if such action "conflicts with their terms of employment."

The NPC claims the new laws will safeguard public order and stability.

HK liberal refuses to apologise to Peking

By John Elliott in Hong Kong

MR Martin Lee, Hong Kong's leading liberal campaigner, last night refused to apologise to Peking for criticising the Chinese army's June crackdown on dissident students. He said he might face the risk of being arrested if he went to China.

The refusal to apologise means that both he and Mr Szeto Wah, a teacher and fellow leading liberal, will not be allowed to sit on the Peking-run drafting committee of the Basic law which will govern Hong Kong after 1997.

As part of an attack on liberals in Hong Kong, Peking announced on Tuesday that the two were being barred from membership of the committee "until they abandon their antagonistic stand against the Chinese government and their attempt to nullify the Sino-British Joint Declaration on Hong Kong".

Peking has an undisputed right, which Mr Lee accepts, to dismiss anyone from the committee because the drawing up of the basic law is solely the responsibility of the Chinese government.


Martin lee pictured at a press conference in Hong Kong yesterday

Peking chose 18 people from Hong Kong to sit alongside 33 nominees from the mainland on the committee and most of them fall in with the Chinese government's views. The only constraint on Peking in the drafting of the Basic Law is that its clauses must implement the Sino-British Joint Declaration and because of this the British government has a direct, and the Hong Kong government an indirect, influence on the drafting.

Mr Lee, who was earlier accused of sedition by Peking, said that he had been advised he might face the risk of arrest if he tried to enter China as he "would consider carefully whether to go" at any time in the future. He and Mr Wah would not try uninvited to attend the Basic Law drafting sessions to be held in the southern Chinese city of Canton next month.

Mr Lee said they did not think they had done anything wrong so there was nothing to apologise for. "This is the beginning of a crackdown to show people in Hong Kong that they will not be forgiven for what they have done".

He claimed that article 41 of the Chinese constitution gave citizens the right to make complaints about "any state organ or functionary for violation of the law or dereliction of duty". No-one could "retaliate" against citizens making such complaints.

Mr Lee also denied that he had attempted to nullify the Sino-British agreement which covers the return of Hong Kong to Chinese sovereignty in 1997. He said that after the June events he had suggested the UK should try to have the terms improved to strengthen protections for the colony.

Mr Lee rejected calls from local community leaders, which had been induced by Peking, to close down an organisation they lead called the Hongkong Alliance in Support of Patriotic Democratic Movement in China, which was set up in June.

Gandhi faces uphill struggle in Indian poll

MR Rajiv Gandhi, the Indian Prime Minister, and his Congress Party are in deep trouble as they go into the last weeks of an election campaign against an apparently united opposition, India's leading opinion pollster said yesterday, Reuter reports from New Delhi.

"The opposition has got its act together, which is an incredible surprise. It's still neck and neck, but only the opposition can improve its position," Mr Prannoy Roy said.

"Rajiv is in deep trouble," he said in an interview as the two sides plunged into campaigning for the November 22, 24 and 26 elections.

He said deals by the normally fragmented opposition to put up single candidates against Congress in most of the 545 seats at stake had given it some credibility. A majority believed the opposition could form a government and that a vote for them would not be wasted.

"But the polls also show that two-thirds believe they will fall apart eventually, and that is the opposition's biggest single problem," he added. A sudden rise in food prices over the last few months and charges that officials took bribes in a $1.3bn arms deal could be critical factors in deciding the result.

Mr Gandhi has been haunted for nearly two years by charges large bribes were paid by the Bofors company of Sweden. Corruption is already a major issue in the urban centres: one of the big questions in the election will be how deeply that issue penetrates the countryside, where 80 per cent of Indians live.

Japan agrees to ban all trade in elephant ivory

By Michiyo Nakamoto in Tokyo

THE Japanese Government has banned all trade in African elephant ivory and in salt water crocodiles, in line with a decision adopted last month by an international conference on endangered species.

The move by Japan, which is the world's largest ivory consumer, importing about 40 per cent of the world's supply, comes after a conference of signatories of the Washington Convention of International Trade in Endangered Species of Wild Fauna and Flora (Cites) rejected the proposal of several southern African nations to maintain restricted trade and voted to prohibit all commercial trade in ivory.

The Japanese Government had previously hoped that a total ban could be avoided. But it has bowed to international criticism and agreed to go along with the conference decision, despite the difficulties that a total ban will mean for an estimated 30,000 employed in ivory manufacture and distribution. Ivory is used in Japan for traditional crafts and for accessories and is particularly valued for use in personal seals.

Japan will, meanwhile, be host for the eighth Cites conference in 1992.

Reuter adds from Harare: President Robert Mugabe of Zimbabwe, backing southern African states' defiance of the ban on ivory trading, said yesterday Zimbabwe would continue to kill elephants and sell their ivory.

Zimbabwe could carry a maximum population of some 50,000 elephants, he said. "Our view is that if they exceed that number then they become a danger to the environment.

"Certainly in those circumstances we are entitled to do some culling," Mr Mugabe told the annual general meeting of the Zimbabwe National Conservation Trust.

Zimbabwe and other southern African states have decided to defy ban, saying they need to cull elephants to stabilise thriving herds at sustainable numbers, and that ivory sales help pay for conservation and anti-poaching programmes.

Nixon takes the long view on China links

By Peter Ellingsen in Peking

SINO-US relations would never be smooth, but despite friction caused by US reaction to June's Peking massacre, they will endure, Mr Richard Nixon, the former US president, predicted last night.

Mr Nixon's cautious optimism, however, was tempered by comments which Western diplomats said were the bluntest they had heard for a long time on such a formal occasion.

Speaking in Peking at a banquet given by President Yang Shangkun as part of an unofficial visit at the invitation of the Chinese government Mr Nixon made it clear that deep ideological differences separated Washington and Peking.

"China's leaders now appear to claim that how they rule their country internally is no one else's business. Most Americans deeply believe, however, that international standards exist to guide the conduct of leaders anywhere. The age-old clash of ideas that now divides our nations is clearly the assertion of sovereignty of the state versus the universal rights of man".

Were martial law and political repression permanent features of life in China, Mr Nixon continued, and would China close the door it had opened to the world 10 years ago and revert to past stagnation or continue its bold reforms?

At the end of 20 hours of frank and wide-ranging talks with Chinese leaders, the former president said he had no conclusive answers.

Mr Nixon did, however, express guarded optimism about the future. Neither side could allow deep-seated differences to destroy hard-won links, he said.

Mr Nixon, who ended hostility between the two powers by recognising China in 1972, said even though US sanctions had revived "bitter personal memories" among China's leaders, producing a cold war-like distrust of the US, he was confident both sides would remain friends "as the bitterness of the last few months recedes".

In talks with Mr Nixon on Tuesday Deng Xiaoping, the paramount Chinese leader, blamed Washington for the deterioration in ties, and said it was up to the US to take the initiative in restoring closer links.

Seoul opens relations with Warsaw

By Maggie Ford in Seoul

POLAND yesterday became the second eastern European country to establish diplomatic relations with South Korea, the formerly anti-communist country which is boosting ties with its former enemies.

Mr Jan Majewski, the Polish Vice Foreign Minister, signed the diplomatic protocol yesterday, along with a trade and investment treaty under which Poland will receive $50m over the next five years.

In Peking the North Korean embassy said yesterday it was "extremely displeased", but so far Pyongyang is not known to have taken any retaliatory measures. After Seoul exchanged ambassadors with Hungary last year, North Korea reacted angrily, withdrawing its envoy and replacing him with a chargé d'affairs.

The recognition comes as a result of Seoul's policy of *Nordpolitik* under which it is seeking ties with Eastern bloc countries. The policy is designed to improve both political and economic links, especially with the Soviet Union and China, in the hope of drawing isolationist North Korea into a more conciliatory mood.

Trade is increasing quickly, reaching $3.1bn with China last year and $500m with Eastern Europe and the Soviet Union. An electronics company has been established in Hungary and a fur processing and sales operation started in Moscow.

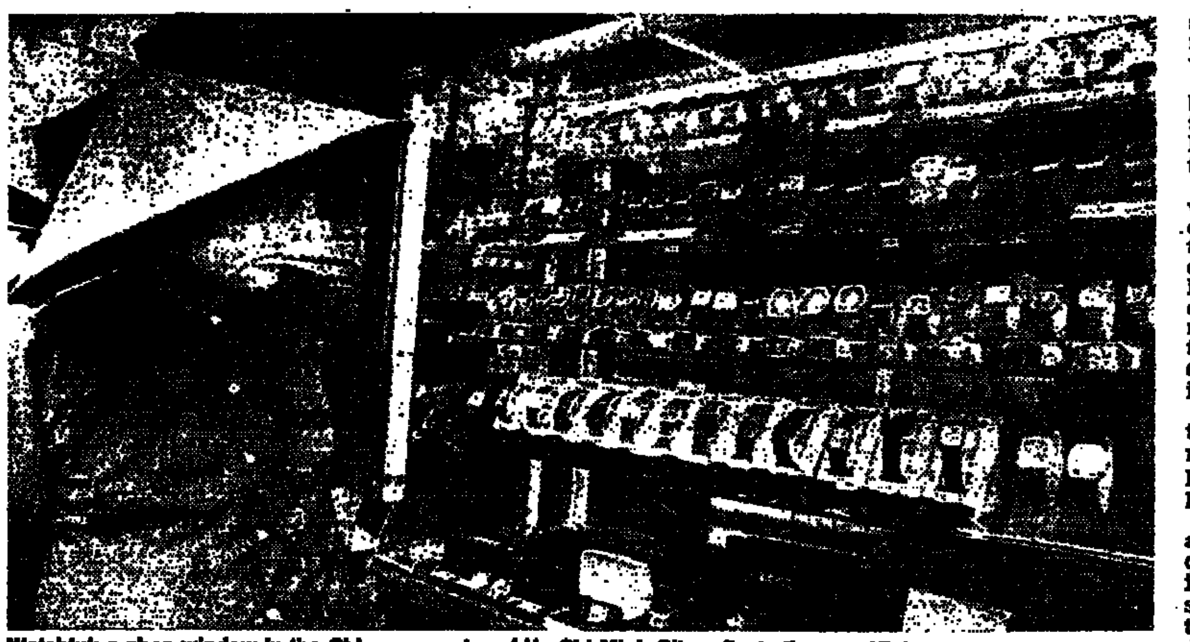
Vietnam puts its house in order – and awaits first visitors

Reforms touch most lives now, but the chief hope rests with foreign funds, writes **Alysoun Coles** recently in Hanoi

WITH ITS troops out of neighbouring Cambodia, Vietnam is optimistic that the way is now open to Western investment to fuel its economic reforms. Vietnam's perestroika – *doi muoi*, as it is known – is already making an enormous impact on the economy and on the day-to-day lives of its people, but much hope rests on the boost it would get from Western capital.

Official enthusiasm to draw in Western technology and experience, not to mention investment, is expressed in the Law on Trade and Foreign Investment passed last year, generally regarded as the most liberal in Asia.

Senior economic adviser to the Government Dr Nguyen Xuan Oanh at a meeting in London last summer spelt out the three main routes to investment detailed in the Investment Code: contractual business co-operation, such as production sharing management participation; joint ventures with Vietnamese economic organisations; and ventures wholly-owned and operated by foreign investors. The code contains guarantees against nationalisation for the duration of the contract and allows liberal repatriation of profits.


Watchful: a shop window in the Chinese quarter of Ho Chi Minh City reflects the new Vietnam

Alongside efforts to bring large-scale foreign investment from capitalist countries to Vietnam, *doi muoi* also encourages domestic private enterprise.

The aim is to attract savings into the economy, explains Dr Le Van Vien, director of external relations of Hanoi council and chairman of Hanoi University's economic and political department. Instead of saving their money as they wait for prices to fall, people can open their own small businesses and keep the profit, which they will be able to re-invest or spend on the increasing number of consumer goods.

Already there are 26 private businesses in Hanoi and 50 projects with foreign investment. The pace of development was illustrated by one foreign journalist looking for his favourite restaurant in the Chinese quarter: "I couldn't find it," he complained as at last he settled down in his seat. "This was the only restaurant in the street two weeks ago, and now it's buried among all these new shops."

One Hanoi worker with a smallholding 16km outside the city centre explains the difference *doi muoi* has made to his family: "Before, when our pig was ready for market, we had to sell it to the state shop. But sometimes the shop had fulfilled its quota for that month so then we had to wait until it wanted ours, even if we needed the money. At other times the shop wanted the meat but farmers would not sell because they were waiting for the price to go up. Now we can take the pig to the market ourselves whenever we like and sell it for the going rate."

Of course this has pushed many prices down but it has provided plenty of much needed food, and given the peasant farmers the incentive to produce more.

Le Dang Doanh of the Economic Institute in Hanoi says: "We tried to go too fast and leapfrog over the capitalist stage of development straight into a socialist economy."

In 1976 Vietnam had 90,000ha of coffee plantation, all in the hands of the state. By last year the figure had grown to 190,000ha, of which only about 15,000ha is government owned.

One of the most common causes of blocked money supply was the number of people who bought gold as a safe investment instead of spending their cash, sending the local price of gold soaring. Now, the opening of savings accounts with high interest rates at the state bank draws in private cash.

Stabilisation of the gold price has been matched by the effective abolition of the black market and what looks like a firm grip on the country's previously raging inflation.

Unlike many socialist countries which fix exchange rates to prevent currency devastation, Vietnam took the bold decision in 1979 to float the dong, and introduced the black market rate as the official one. The discrepancy was so severe that new money had to be printed. But in three weeks of travelling across the country I found not one person asking to exchange my dollars.

With the stabilisation of the dong, the state bank is offering interest rates to savers above the average profit rate. This has served to help put the brakes on inflation.

In 1988 inflation was running at an annual 440 per cent. In the first quarter, it was 17 per cent a month; in the second 12 per cent; in the second half it was 10 per cent and in the first quarter of this year it was down to 7 per cent a month, and falling.

Mr Doanh says food prices in Hanoi fell 6 per cent in May. Over the last two months the price of rice has fallen from 640 *dong* a kilogram to 550 dong, and some provinces have begun exporting rice. In the first six months of this year 120,000 tonnes of rice were sold abroad, mainly to Singapore and Hong Kong where Vietnam is undercutting prices.

"The inflation rate is a good achievement," says Mr Doanh, "but reducing the budget deficit is our next task. And I think the tax system needs overhauling to keep pace with the economic development."

Another big problem is the infrastructure, more so in Hanoi which, unlike Ho Chi Minh City (formerly Saigon) does not enjoy the legacy of US wartime construction.

Much more money is needed to tackle problems such as housing and water supply, according to Dr Vien. Drinking water is supplied to the population of Hanoi through the system the French left behind. But that was built to serve 100,000 people – the 1945 population – and now a million people rely on it.

The housing shortage is serious, it being common for whole families to live in two rooms. Families are encouraged to extend their homes themselves, so brickworks now liberally dot the landscape and in many country areas people have built their own kilns. Up to 20 per cent of brick production is thought to be privately owned.

While such construction is commonplace in rural areas, with a pile of bricks and cement outside every other house and plenty of new homes with dates emblazoned on the stonework, there is not the space for significant extensions in the cities.

Despite the ubiquitous home-building projects, people's private houses are not constructed to a high enough standard to be regarded as much more than a temporary measure, according to Dr Vien.

More big housing projects like the one in Hanoi's suburbs are advocated but, like everything else, the construction programme is limited.

There is still some discussion within official circles over the precise way forward, but the proponents of *doi muoi* are undoubtedly in the ascendancy. All Vietnamese eyes are now on whether the West will respond positively to the withdrawal from Cambodia.

UN quickly passes Afghan resolution

IN SHARP contrast to the long and acrimonious debates that marked UN consideration of the Afghanistan question during the Soviet occupation, the General Assembly took only minutes yesterday to adopt a resolution calling for an end to hostilities and a comprehensive settlement, Michael Littlejohns, Our UN Correspondent reports.

The text was worked out in New York last month by Mr Eduard Shevardnadze, Soviet Foreign Minister, and Mr Yaqub Khan, his Pakistani counterpart.

WORLD TRADE NEWS

Japanese embarrassed as more Y1 bids surface

By Robert Thomson in Tokyo

THE Japanese Government's embarrassment over the Fujitsu computer company winning a systems design contract with a bid of only Y1 (less than a penny) was compounded yesterday when the company admitted to two more Y1 bids and NEC, another technology company, publicly apologised for two similar bids.

Japan has been condemned by the US and other foreign governments for allowing artificially low bids for public contracts, so the confessions yesterday by the two companies will provide evidence for US officials negotiating the removal of barriers to trade and competition.

Both Fujitsu and NEC bid Y1 for a systems design contract for a prefectural library in Nagano, west of Tokyo, and Fujitsu won the contract in a lottery run by local government officials, who had specified that the bidders should have experience in other prefectural library systems.

Specifications for contracts are also a source of irritation to US trade officials, who believe that foreign companies are unfairly treated.

The Ministry of International Trade and Industry (Miti) condemned the bids for a lack of "business ethics", and warned the two companies and other computer makers, some of whom have also made very low bids, to "refrain from these practices of excessive competition".

Mr Takuma Yamamoto, president of Fujitsu, apologised for adding "stress" to Japan's trade relations with the Y1 bids, but argued that "hard competition is a part of the free market" and that the tactic was used to "gain influence in a new market".

Fujitsu salesmen calculated that the bids were profitable as the company could win more lucrative contracts

He said that Fujitsu executives were unaware of the low bids, but have to take responsibility for not "guiding" local salesmen.

The salesman had calculated that the Y1 bids were profitable, as the company could win later, more lucrative contracts, Mr Yamamoto said, but "it is a very thoughtless thing, and we apologise for causing trouble".

Japan's Fair Trade Commission (FTC) was already investigating whether a Y1 bid for a systems contract for the Hiroshima government was improperly low under anti-monopoly laws.

The commission has apparently broadened the investigation to cover the newly-uncovered cases.

Fujitsu has attempted to withdraw the Hiroshima bid, but city officials insist that the company stick to the contract.

NEC issued a statement expressing "great regret" for its Y1 bids, which it characterised as "socially unacceptable". A company official said that other contract bids are being investigated for unreasonable offers, and yesterday evening the company announced that it had bid Y1 for a systems feasibility study for the Wakayama government, on the main island of Honshu. Fujitsu also bid Y1 for the same contract.

Each of the contracts was worth many millions of yen, with the Hiroshima government estimating the cost of its system design at Y11m.

Fujitsu has argued that it is no different from other computer companies bidding at a fraction of cost for contracts, though the Y1 bids have drawn attention to the practice.

India plans to buy 33 new aircraft

By K.K. Sharma in New Delhi

INDIAN Airlines, the government-owned carrier that operates domestic routes and those to neighbouring countries, is to buy 33 new aircraft in the next five years at a cost of Rs2.5bn (£96m).

The carrier's managing director, Mr R. Prasad, has announced that the main aircraft being considered for induction into its fleet are the McDonnell Douglas MD-91, Boeing 737-800, Boeing 737-300 and 300X, British Aerospace's BA-146, Hawker Siddley's Fokker-100, Airbus A-300 and Airbus A-300.

Indian Airlines' present fleet is made up mostly of Boeing 737s and various series of Airbus aircraft and so these have a head start over their rivals.

The airline is also considering buying Russian aircraft.

Mr Prasad said Indian Airlines will not seek financial support from the Government and would raise its own funds for the purchase. The airline earns considerable foreign exchange from tourists. It also plans to raise funds from international capital markets.

Mr Prasad also announced that a modern jet engine overhaul shop for the Airbus A320's V-2500 engine would be commissioned at New Delhi's Indira Gandhi Airport, and would be the second of its kind in the world. He also said the airline was hiring more pilots to meet the current manpower shortage it was facing.

S Korea seeks more foreign investment

By Maggie Ford in Seoul

SOUTH KOREA is to make greater efforts to attract foreign investment in high technology so as to make a quick jump into advanced industries, Dr Han Seung Soo, the Minister of Trade and Industry, said yesterday.

His remarks followed the announcement that Samsung Electronics, the country's largest electronics company, had started production of the 4 megabit Dram semiconductor chip. Initially the company will market 100,000 of the chips a month, increasing output to 1m a month next year. Samsung developed the chip largely from its own resources last year.

Dr Han said that although the South Korean Government and industry was planning to spend substantial sums on research and development, it would take time to establish the engineering and scientific expertise needed to compete in the global market.

Foreign joint ventures in high technology fields would be increasingly welcomed, he said, reversing a policy of borrowing on the capital markets, licensing technology and building its own facilities.

Seoul will become a net creditor later this year, four years after recording a foreign debt level of $46bn, the fourth largest in the developing world. Foreign investment over the last 25 years totals only $6.5bn.

Dr Han said that Seoul was taking strong steps to enforce intellectual property rights, with the appointment of 900 investigators at the prosecutor's office and the establishment of an inter-ministerial task force to eradicate piracy.

Protection of intellectual property is the main area of dispute between South Korea and the European Community, which withdrew Seoul's privileges under the Generalised System of Preferences two years ago in protest. It remains a strong disincentive to investments in South Korea.

Dr Han said that a law passed by the previous government giving retroactive protection to US intellectual property could not be extended to the EC because the new democratically elected National Assembly would not agree to it. But he said the existing law provided good protection.

The minister said Seoul's policy of opening its markets would continue and pointed to a rise of 20 per cent in imports this year compared with a 4 per cent increase in exports.

After the recent finding by a panel of the General Agreement on Tariffs and Trade, agricultural imports will be fully liberalised over eight years.

But the minister expressed concerns about profit margins of more than 100 per cent for high priced luxury imports, such as foreign cars, which he said were excessive. This was widening the gap between rich and poor and creating social discontent.

UK row over work on embassy in Tokyo

By Peter Montagnon, World Trade Editor

A furious argument has broken out between British construction companies and the Foreign Office over its refusal to reserve for them a management contracting role in the project to redevelop the British embassy in Tokyo.

The row, which developed after the Foreign Office insisted that Japanese companies should be invited to tender direct for the project, has led to accusations from the industry that the Foreign Office was taking an "unbelievably cavalier approach" to spending taxpayers' money "by effectively dealing with a foreign price ring."

The accusation was contained in a letter from Mr Walter Hogbin, Chairman of Taylor Woodrow International, to Lord Brabazon of Tara, Minister of State at the Foreign Office. Their exchange of letters, in which Mr Hogbin describes the idea of free competition in the Japanese construction market as "a sick joke", was made public yesterday by the Export Group for the Constructional Industries (ECGI) of which Mr Hogbin is also chairman.

The Export Group maintains that an extensive inquiry that it conducted earlier this year into construction opportunities in Japan revealed that one of the only ways for British companies to gain any toehold was to be employed as management contractors for British projects in that country.

This opportunity is now being denied to the industry by the British Government itself at whose behest the market study was undertaken, the ECGI says. In his letter to Mr Hogbin, Lord Brabazon, says the furthest the Foreign Office can go would be to encourage British companies to register for the project.

"I do not believe that we should go as far as to exclude the Japanese contractors from tendering direct. That would deny us an important element of competition, and blatant discrimination in this way could prove counter-productive," the minister says.

In his reply Mr Hogbin says this is unacceptable. He refutes a Foreign Office claim that the use of British company contractors would make the project more expensive.

Demand rises for textiles

By Alice Rawsthorn

THE international textile industry experienced a healthy increase in demand in the second quarter of this year, although some sectors of weaving faced competitive conditions.

Last year the European textile companies came under intense pressure when the weakness of the US dollar provoked a sharp surge in imports from the Far East and made it more difficult for European companies to export to North America.

The latest statistics from the International Textile Manufacturers Federation in Zurich show that the balance of world trade has stabilised, as the dollar has strengthened and the European currencies become more competitive.

Spinning production increased in most countries in the second quarter compared with the same period last year.

The spinning industries in Taiwan and Pakistan experienced significant increases in output, as did the US where spinning production rose by 10 per cent. The spinning companies also succeeded in reducing stock levels.

The increase in demand has enabled many of the European industries to clear the surplus stocks which built up last year. The spinning sectors in France, Spain and Switzerland reduced their stocks by more than 10 per cent.

By contrast the weaving industry was fairly static. Most countries managed to maintain fabric production levels in the second quarter. Spain and Taiwan experienced substantial increases, while the industries in the US and Switzerland saw output fall.

The companies in the weaving sector also managed to reduce stocks. There were substantial inventory reductions in Austria and Switzerland. However, fabric stocks increased by more than 30 per cent in both South Korea and the UK.

At present the textile trade, one of the world's largest trading sectors, is experiencing uncertainty in the approach to the re-negotiations of the Multifibre Arrangement, the bilateral agreement which has regulated the world trade since the early 1970s.

The MFA is expected to be phased out after the current arrangement comes to an end in two years.

Deciding when it's safe to sell

William Dawkins and David Goodhart on strains within CoCom

THE UGLY anonymity of an office block in Rue La Boétie, just north of the Champs Elysée in Paris, will, over the next few months, conceal some feverish activity.

The building is the US embassy annexe that houses the staff of CoCom, the secretive organisation of 17 democratic governments devoted to stopping sales to communist countries of technology which might have a military use. The task is to avert what some warn might become one of the most serious crises faced by the Co-ordinating Committee on Multilateral Export Controls in its 40-year life. The CoCom staff's political masters have just emerged from their annual meeting at which they failed to resolve several big differences.

The organisation, which groups countries of the North Atlantic Treaty Organisation (minus Iceland), plus Japan and Australia was formed in 1949 at the start of the Cold War, and to its European members' regret has not yet adapted its adversarial mentality to today's more open political conditions. It is now wrestling with a sensitive internal debate over how to react to the extraordinary political reforms taking place in the Eastern bloc.

Linked to this is the specific question of far and how fast to reduce its list of several thousand strategic products, from lasers to robots, banned for export to the communist world. CoCom's western European members fear the list is out of date, that parts of it are futile because they include items that communist countries can in any case make for themselves, and that US industry is resisting change to protect itself from international competition.

A number of western European countries, led by West Germany, France and Italy, want to extend to Hungary and Poland the lighter CoCom treatment accorded to China in 1985, in recognition of the democratic progress made by the two Eastern bloc countries.

They also want to drop from the list very high tolerance machine tools, a product where European producers – especially West Germans – have a distinct edge over the US in world markets.

Washington, has reacted

Bartholomew: safety first

coolly to this challenge to its traditional leadership in CoCom. It agrees with the need for so-called "streamlining" of the CoCom list, as do all members, but argues this can only happen when the enforcement of CoCom's export rules has first been toughened. And all agree that CoCom should build higher fences around fewer products, to use the organisation's own jargon.

The problem is that the Europeans, keen to sell into the Eastern bloc's huge market, appear to believe in liberalisation first and fence-building second, while the US wants a strictly "parallel" approach.

All this may have brought CoCom, whose decisions must be unanimous, near deadlock – as far as it is possible to gather from the vague language officials use to discuss its affairs.

Mr Reginald Bartholomew, the US undersecretary of state for security assistance, science and technology, who chaired the session, maintained that it provided solid support for CoCom's general work and stressed that the US only wanted to use the organisation for strategic, not trade, protection.

West German officials in Paris were less sanguine but salvage some small signs of progress from the meeting. The US, they said, had admitted for the first time that progress in implementing the policy of higher fences around fewer products had been unsatisfactorily slow. And the meeting had taken the first step towards considering special treatment for Hungary and Poland.

The Hungarians have presented a paper to CoCom pleading for "Chinese" treatment and saying they are prepared to accept unannounced inspection of sensitive equipment by CoCom officials to ensure it is not being used for military purposes. The West Germans are pressing for relaxation in the case of genuinely private companies in Hungary and stress that Western companies going into Hungary or Poland will only do so, at least in some sectors, if they can use state of the art equipment.

CoCom's task is to avert what some warn might become one of the most serious crises it has had to face in its 40-year history ... to the regret of its European members it has not yet adapted its adversarial mentality towards the political change taking place in Eastern Europe

The West Germans have also begun to threaten, not for the first time, that they will be unable to deliver continuing political support for CoCom unless the US (and in particular the Pentagon) starts to bend. The recent announcement by Mr Wolfgang Roth, the opposition Social Democrats economics spokesman, that CoCom's industrial list of dual-use products should now be abolished, has given some credibility to that claim.

CoCom members have given themselves until its next high-level meeting in July to sort out the following issues:

- Enforcement. All agree that CoCom members need to observe common basic standards of enforcement, including sanctions against those who cheat, by 1991. For this is the only way that the body can fulfil its aim of abolishing the internal controls on strategic trade between its own members as well as between the CoCom and communist trade areas.

These internal checks account for about 90 per cent of all trade vetted under under CoCom rules and are needed to keep track of goods that might be exported out of a security conscious country such as the US to a less tightly-controlled one such as Greece or Italy, for illicit onshipment to the Eastern bloc.

However, CoCom's 11 European Community members – all but neutral Ireland – will in theory be unable to run internal border checks after 1992, by when they aim to have scrapped all frontier controls between EC members. Hence the need for an external CoCom fence effective enough to satisfy Washington's ever-pressing security worries.

- Streamlining. The disagreement over machine tool exports is just one of a long list of controlled goods which the West Germans and others want to liberalise, from Airbuses to 32-bit microcomputers. They find the US caution on machine tools hard to accept in view of Washington's support of a ruling last July to lift controls on the export of 16-bit microcomputers, a product where it is more competitive than the Europeans.

The decision was criticised by the Pentagon for going too far and by the Europeans and Japanese for not going far enough, yet the fact remains that IBM's AT range and its clones will be the main beneficiaries.

US officials meanwhile believe West Germany has inadequate proof for its claim that the East bloc military capacity will not be greatly helped by being able to buy Western machine tools with a slide position accuracy of plus or minus two microns. A CoCom machine tool working group will meet again before the end of the year to try to settle this sensitive question.

- Political change. Washington believes any special treatment for Hungary, Poland or anyone else, must come after real progress on improving the enforcement of controls on CoCom members' external borders. Agreement on the general point is not enough; the US wants real evidence that tougher controls are being implemented. This is exactly the same kind of argument that divides EC member states when discussing the control of international crime in the absence of internal Community frontier controls. As such it presents the same political difficulties for CoCom.

Army 'preparing to intervene in ambulance row'

By Fiona Thompson, Labour Staff

THE Ministry of Defence has set in train preparations for troops to step into the ambulance dispute as early as the end of this week, according to secret documents handed in anonymously to a Midlands ambulance station and passed to Nupe, the leading ambulance workers' union.

Nupe said that all references to the originator of the 1½-page document had been removed, but that by its contents it was clearly a general circular sent by the Ministry of Defence. It was sent to the Army, the Royal Navy, the RAF, the Parachute Regiment and the Royal Engineers.

The document, sent last Sunday October 29, said that from 8.30am the following morning, October 30, all services were to be put on standby to begin the four-phase action plan.

The military keeps about 1,000 ambulances at depots across Britain crewed by members of the Royal Army Medical Corps.

The plan, Nupe said, involved a day of planning and preparation; a day of "marrying-up" (assembling personnel and vehicles in groups); followed by two days of refresher training. By tonight, troops would be ready for the final phase, deployment to tasks.

The Ministry of Defence said it did not know if the document was "one of ours" but confirmed that it had warned its people to be on standby.

"We have told the services there is a problem brewing and asked them to ready themselves for any request we might get from the Department of Health," said the MoD.

The Department of Health said last night the Ministry of Defence had clearly taken action as a result of discussions between Mr Kenneth Clarke, Health Secretary, and Tom King, Defence Secretary.

The document said that all the planned action was to be done "covertly".

The issue is expected to come to a head from midnight on Monday when all qualified ambulance staff will refuse to do all non urgent work.

North Sea oil production costs rise as output drops

By Steven Butler

THE COST of producing an average barrel of oil in the North Sea rose significantly this year as production fell, while fixed costs remained high, according to a report by County NatWest WoodMac, the UK broking company.

The rise reversed a four-year trend which saw the average cost of production fall from £2.50 a barrel in January 1986 to £2.08 a barrel. This has now risen to an estimated £2.55 for this year. This compares to an average oil price of about £10.82 a barrel, although a substantial margin is needed to cover the capital investments made in many fields.

The increased production cost has cut profit margins for many North Sea operators, reducing the benefits of this year's higher oil prices. The effect of Britain's tax regime is to lessen the profit impact of either upward or downward movements in prices and costs.

The actual costs ranged from £13.90 a barrel at the Montrose field, substantially above the value of the oil produced, to 51p a barrel at the Ness field, a small sub-sea satellite to the much larger Beryl field.

The most expensive fields to operate were smaller fields where production was declining or fields that were shut in or facing reduced production due to maintenance problems or accidents.

The cheapest fields tend to be very large ones or small sub-sea satellite fields that rely on nearby platforms for oil processing.

Production this year is estimated to average 1.95m b/d.

Strikes put a spanner in the booming airline works

A spate of labour unrest is spreading concern in the industry, write Paul Betts and Charles Leadbeater

INDUSTRIAL disputes at three of the world's leading aerospace companies threaten to strike at the heart of an industry working full stretch to meet bulging order-books.

Boeing, the world's largest airliner manufacturer, this week warned that a three-week strike over pay by 57,000 machinists would seriously hurt fourth quarter sales and profits.

That admission will have brought little solace to British Aerospace or Rolls-Royce, the aero engine manufacturer. Both face strikes by manual workers at vital plants, as part of the engineering unions' campaign for a shorter working week. The strikes could quickly disrupt the two companies' highly integrated manufacturing systems.

The disputes are spreading ripples of apprehension through the industry. Sir Colin Marshall, British Airways chief executive, has confirmed that deliveries of Boeing 747-400 Jumbos and Boeing 767 twin-engined jets were running late and risked disrupting the airline's plans to expand north Atlantic and Far East services next year.

The strike by 2,000 workers at British Aerospace's Chester civil aircraft plant is also beginning to worry Airbus Industrie, the European aircraft manufacturing consortium.

The north of England plant makes wing skins and wing spars and ribs for Airbus, in which BAe has a 20 per cent stake. Chester's components are sent to Filton in the south-west for final wing assembly, or flown to Hamburg in Germany.

Mr Jean Pierson, Airbus chief executive, admitted that a strike at Chester might eventually affect Airbus production, but said it was unlikely immediately to affect deliveries. Airbus, which has an order backlog of about 700 aircraft, assembles 11 aircraft a month.

The strike comes at a delicate time for the Chester plant which also makes the BAe 125 business jet. Civil aircraft production is likely to become increasingly important to BAe as military orders decline. Its commercial aircraft division was on track to make its first profit this year. In the first half, it made £5m on turnover of £550m. A long strike could set profits back for the full year.

The dispute may also cast a shadow over the recently launched BAe 125-1000. This aircraft's capacity for transatlantic flight was intended to boost US sales.

The company's other strike-hit plant at Preston, north west England, also makes Airbus parts as well as parts for McDonnell Douglas and Boeing. Its chief role, though, is in military aircraft production and it is the main machining centre for components of the Tornado, Hawk and Harrier fighter aircraft.

The company is confident the strikes will have little impact on its trading performance this year. It says it has components stockpiles to sustain normal production until Christmas.

Grounded: British Aerospace workers picket the company's Preston plant in north-west England

Rolls-Royce, which has much lower stocks, is probably more vulnerable. The stoppage at its Hillington plant near Glasgow, which makes engine compressor blades, rings, seals and casings could quickly affect production at its main Derby and Bristol assembly plants.

After an overtime ban at Derby last year, the company was fully stretched to meet its production deadlines on an order-book which has risen to £3bn this year from £1bn two years ago. The Hillington strike could knock it off course.

The strikes are unlikely to lead to heavy financial penalties for late delivery of aircraft or engines since labour disputes are considered as a *force majeure*, clearing manufacturers of financial liabilities. Yet delayed deliveries could damage Rolls-Royce's international credibility.

Rolls-Royce has made increasing inroads in the world aero engine market. It equips all three main civil aircraft manufacturers – Boeing, McDonnell Douglas and Airbus – and its share of the civil engine market has grown from only 8 per cent two years ago to 20 per cent this year.

Mr Frank Turner, head of Rolls-Royce's civil engine business, said the company's target was a 30 per cent share of the world market.

The company is bracing itself for an intensification of the competitive battle against its US rivals – Pratt and Whitney and General Electric – to power a new generation of more powerful twin-engined wide-bodied jets.

Airline companies attending the annual meeting of the International Air Transport Association in Warsaw this week expressed concern at the sudden surge of industrial unrest in the aerospace industry.

The strikes at Boeing and the labour upheavals at BAe and Rolls-Royce did not suprise them since they had expected unions to take advantage of the industry's boom to claim better working conditions and pay. However, they warned that the strikes were hitting the industry just as the airline business was reaching a crossroads, with signs of a slowdown in the growth of passenger traffic.

US airline profits are already under pressure and the economic slowdown in the UK and Europe could hurt airline earnings. This could in turn affect airline purchasing programmes.

Airline and aerospace company executives attending the IATA meeting sought to convey a relatively relaxed attitude to the strikes. However, they conceded reluctantly that there could be some dark clouds on the industry's horizon were the disputes to drag on.

Output slows as the Boeing production line hits turbulence

By Roderick Oram in New York

BOEING has delivered 15 airliners since 57,000 production and maintenance workers went on strike four weeks ago – more than many observers thought possible.

The aircraft have been completed by supervisors and managers retrained and recertified before the strike began to perform their old production line jobs.

But Boeing is falling well behind its ambitious production schedules which called for completion of an airliner a day during the fourth quarter, and its ad hoc workforce has only been putting the finishing touches to some 40 aircraft which were in advanced stages of construction when the strike began.

The management and union have returned to the bargaining table to try again to thrash out a new three-year contract, but both sides are refusing to move, at least in public, from the stands which triggered the strike.

Boeing says it will only negotiate within the framework of its final offer of wage increases totalling 10 per cent over the life of the contract, annual bonuses totalling 14 per cent, some reduction in mandatory overtime hours and improvements in fringe benefits.

The machinists argue that bonuses leave them less well off in the long term than wage increases. They also argue that Boeing can afford to grant them a more lucrative package and cut their long shifts. Many machinists have worked 12 hours a day, seven days a week, three or four weeks on end since early last year.

Analysts say that if the strike lasts more than two months, the impact on Boeing and its customers will rapidly intensify. The company will never make up the lost time, say the analysts, because its lead times are so long and its production facilities and component suppliers so stretched.

Since Boeing has completed so many aircraft during the strike, it will need a length of time roughly equivalent to the stoppage itself to refill the production line and get deliveries back to one a day.

So far the strike's disruption to airlines has been minimal, at least for larger carriers who have some flexibility with their extensive fleets and schedules. Some will be denied the benefit of more efficient aircraft and extra capacity but the financial impact should be relatively minor in the short term.

Smaller carriers are suffering much more. America West, for example, has had to postpone the start of new services out of Houston, Texas.

Mr Morten Beyer, president of Avmark, an international airline industry consultant, said the shortage of new machines was starting "to stimulate the market for used aircraft, particularly bigger ones."

Airlines fear that the current strike is only the beginning of Boeing's labour problems.

The contracts of 30,000 members of the Seattle Professional Engineers Employees Association expire on December 1.

A strike by them would hamper design and development work of important new Boeing models such as the 747-400 freighter and the 767-X airliner, forcing airlines to start amending expansion plans.

A POTTED HISTORY OF PRINTING FROM THE *FIRST* LETTER TO THE *LAST* WORD.

An A on the turn, 1500BC

Never take letters for granted.

The Yoruba tribe of Nigeria once used cowrie shells to communicate with each other. Six sent to your beloved meant, "I fancy you." Eight sent back in reply meant, "I'll leave the door open."

It was of course vital to be able to count accurately.

Other early forms of communication took even more cryptic form.

Peruvian Quipus – knotted cords of different colours – were used by Inca Civil Servants as a sort of filing system for public records.

These are still used in Lambeth today.

The Quipu may have been alright for beating llamas, but as a way of communicating, it couldn't beat writing: "the greatest invention of man" according to Abraham Lincoln.

In the earliest stages of writing, letters were drawn like pictures (pictographs).

The first pictographic 'writing' was Sumerian from around 4000BC.

The most famous was Egyptian hieroglyphic – sacred writing engraved in stone. This meant absolutely nothing to anyone until a Frenchman called Champollion succeeded in working out and writing the name of Cleopatra from hieroglyphs on the Rosetta Stone in 1822. Realising what he'd done, he cried out "Je tiens l'affair!" ("I've cracked it!"), and promptly collapsed in a heap.

K L E O P A T R A

We can also congratulate the Egyptians for developing the pen and papyrus. It may not seem much to you, but it was a damn sight easier to tuck under your arm than a chisel and a block of granite.

To keep the number of signs down to a minimum, the Egyptians adopted the rebus principle – a pictorial way of substituting pictures for words or syllables. Need say more?

Pity the Chinese didn't grasp this principle. Even now their written language has 50,000 graphic characters. (Incidentally, in early Chinese the signs for 'woman' plus 'broom' meant 'wife'. 'Woman' plus 'woman' meant 'quarrel' – the earliest example of sexism in literature.)

And so, as scholars' jaws drop even lower, let us skip to the alphabetic system of writing 'invented' some 3,600 years ago.

The word alphabet is simply the combined Greek names for the first two letters, alpha and beta.

The first letter of the Hebrew ('alef), Arabic ('alif), Greek (alpha) and Latin (A) alphabets all came from this: , a picture of an ox head which over the years changed into something we all recognise, don't we A?

Phoenician, circa 1000BC

The first alphabet is believed to have come from the Semites. But it was the Phoenicians who aimed to devise a true alphabet which relied on one symbol to represent one sound.

Early alphabetic scripts could be read from top to bottom, left to right, right to left and, at one period in Greek history, were written in boustrophedon – as the ox ploughs – from right to left and back again from left to right. Confused? You will be...

Greek, circa 550BC

Hallelujah! The Greeks stop the Phoenician alphabet spinning round and get everybody to agree to read from left to right. Except those poor Chinese of course...

Roman letter, 114AD

And on to the alphabet we inherited from the Romans. The most perfect expression of the letters is chiselled into the base of the Trajan Column in Rome. By common consent, these *Capitalis Romana* are known as the most beautiful of all Roman letters and were the prototype for western letter forms.

About 50AD, the last letter in the alphabet was X. Then after conquering Greece and learning a few Greek jokes that needed a bit of explaining, the Latins added Y and Z. J and U were added in the early Middle Ages and W arrived in the 11th century – just in time for Beowulf.

Meanwhile, back in the court of Emperor Wu Di, a Chinese eunuch called Cai Lun with no balls but one hell of an imagination, invented paper. Made from tree bark, fish nets and old rags, it took over 1,000 years to reach Europe.

Rustic Capital, 4th-5th century

Unless you're really into calligraphy (another Greek word of course), we can skip Rustic Capitals and a few hundred years. During this time generations of poor, benighted scribes tried fruitlessly to improve on Roman lettering and developed something they called 'book hand'. This is probably related to 'scribe's bottom' or 'copyist's squint'.

The Roman Empire went bust round about now and the barbarians turned it into a bingo hall.

Uncial letter, 7th century

As the dust settled on the Roman Empire, *Literae Unciales* (inch-high letters), were the chubby little heroes of the day. Belted off by scribes who skidded round corners and joined strokes to save time, they were now being written on parchment, "that stouffe that we wrythe vpon: and is made of beestis skynnes."

ALL LETTERS WERE STILL IN CAPITALS.

Illuminated letter from The Book of Kells, 6th-8th century

But they got a lot smaller in the 6th century when the lowercase letter started popping up. As did the Vikings, the 8th century's very own lager louts who, despite destroying every monastery they could find, missed those responsible for the two masterpieces of Celtic illuminated writing – The Book of Kells and the Lindisfarne Gospels.

The latter was once stolen and found later, buried and minus its gold cover. Even in the Middle Ages, people nicked books. To try and stop this, scribes would often add a curse in the colophon as in this 9th century manuscript:

"Whoe'er this book to make
his own doth plot,
The fires of hell and brimstone
be his lot."

And it wasn't until about 600AD that words began to be separated. Uptillthennobodysawanyreasontoput spacebetweenthem.

Carolingian letter, 8th century

Fed up with trying to decipher the cryptic handwriting of scribes from all over his empire, Charlemagne headhunted the top man from the Scriptorium at York and gave him the job of creating a single standard of handwriting – the first bit of corporate design ever.

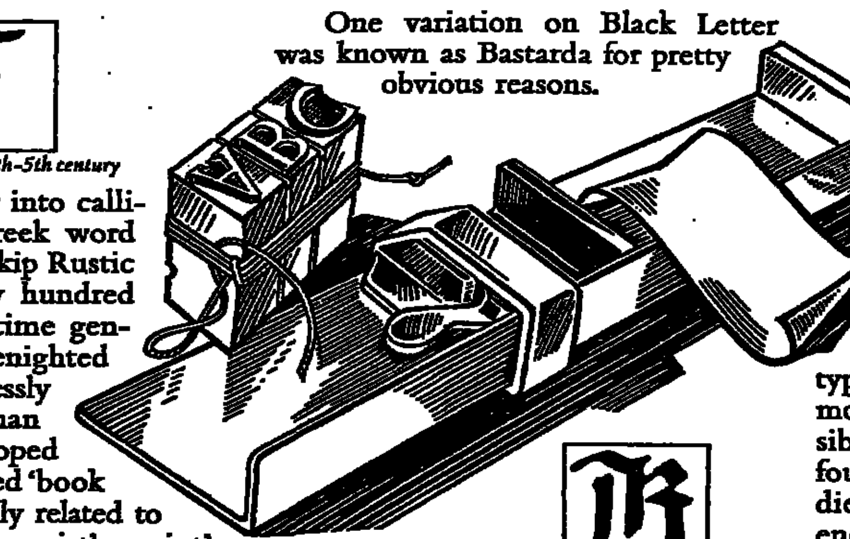
Charged almost literally with rewriting history, Alcuin of York developed Carolingian letters – a clearly legible book hand, and the direct ancestor of our lowercase alphabet and most basic type styles of today.

Black letter, 13th century

Whizzing past the order for one Domesday Book placed in 1086 (famoose for its paw spelling), here's a cultural handrail to give you some perspective on the 12th century. In the whole of Europe there were only four universities: Paris, Oxford, Bologna and Salerno.

As books were becoming more of a commercial enterprise, the need to cram more and more onto a page produced the Gothic or Black Letter. De rigeur for religious manuscripts, it still plagues wedding invites and made Chaucer a swine to read even then.

One variation on Black Letter was known as Bastarda for pretty obvious reasons.



Gutenberg Bible, 1456

"If all printers were determined not to print anything till they were sure it offended nobody, there would be very little printed." *Benjamin Franklin.*

Up 'til 1440, everything in Europe had been handwritten. And then... Johann Gensfleisch (zum Gutenberg), a goldsmith, came up with his amazing invention. Movable type – printing! His 42-line Bible, completed in 1456, was printed on a machine he made out of an old wine press...

Roman letter, Jenson, 1470

Nicholas Jenson's Roman letters, cut in 1470, left Gothic for dead and have been admired by experts for centuries.

Caxton, Black Letter, 1477

The first English printer was Caxton. The first book printed in England to bear a date was his 'Dictes or Sayengis of the Philosophres' in 1477. Touchingly, one of his assistants was called Wynkyn de Worde...

Manutius, Italic, 1500

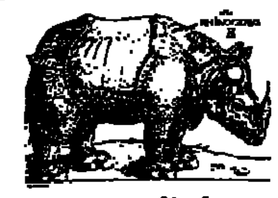
What did Raphael, Cellini, Michelangelo, Henry VIII and Lady Jane Grey all have in common? Their handwriting, adopted from the fashionable writing manual 'Operina' written by the Pope's Chancery scribe, Ludovico Arrighi. Other scribes followed suit with manuals of their own. One such, a Spaniard called Morante, became so popular his competitors turned him in to The Inquisition.

Meanwhile in 1501, Aldus Manutius, driven by the desire to invent paperbacks (pocket editions of the Latin classics), introduced a type that would let him get more letters to the page. He was Italian, the English thus called his invention, italics.

Geofrey Tory from 'Champ Fleury,' 1529

The Renaissance interest in geometry and ideal form pushed many to try and redefine the proportions of the old Roman Capitals using the mutual proportions of the human body.

One such was Geofrey Tory, one of the biggest men in French letters, no, hang on...



Albrecht Dürer relied on nothing more than a sketch and a description of a rhino for this woodcut which was a sell out and went through eight editions.

Unlike the rhino, which went through the ship's hold on its way to Pope Leo X and had to be forwarded to him, stuffed.

Dürer also wrote "Of the Just Shaping of Letters" in 1525, but it's not as good a story.

Garamond, Roman, 1532

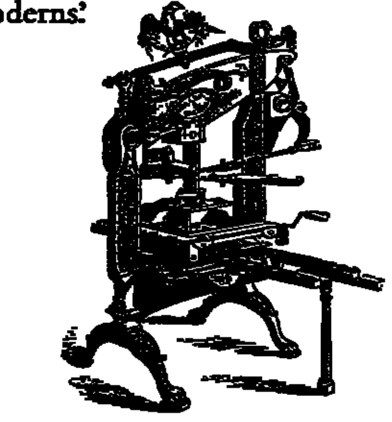
The 16th century saw French typographers leading the world. The most sought after of the time, responsible for establishing the first type foundry, was Claude Garamond who died penniless in 1561, a little ahead of enduring fame. C'est la vie.

Caslon, Old Face, 1726

By the 18th century the spread of literacy amongst a growing middle class made printing big business. William Caslon's Old Face type, cut in 1722, became known as "the finest vehicle for the printed conveyance of English speech." Stuff and poppycock.

Baskerville, Roman, 1757

Nothing was good enough for Baskerville. He made his own ink, developed his own wove paper and made the first real improvements to the printing press since Gutenberg. His typeface, dismissed as 'painful' at the time, is now one of the most popular and linked the 'Old styles' with the 'Moderns'.



After his death, Baskerville's type and punches ended up in Paris where they were used during the French Revolution. His body, for various bizarre reasons, spent the best part of 80 years kicking around a warehouse and plumber's shop before being finally put to rest.

Bodoni, 1788

The so-called "Father of 'modern' type," Bodoni of Parma managed to attract Napoleon's attention with the imperial look of his work.

Wood & Sharwoods, Ornamented No 1, 1838

Display faces were just what the early advertisers wanted. The wackier the better. One of the very earliest poster types had the most appealing name: Fat Face.

begins Urn, that at tea-
time Jane brings,
When we all love to hear how it
hisses and sings.

From 'The Mother's Picture Alphabet' of 1862.

Typewriter, 1850s

'The Adventures of Tom Sawyer' was the first novel to be written on a typewriter in 1875. Mark Twain dismissed his Remington as a "new fangled thing."

Morris, 1890s

Better known to Yuppies for his wallpapers and textiles, the poet William Morris started the Kelmscott Press in 1891 to revive the beauty of typography that book production lost, in his opinion, somewhere in the 15th century.

Johnston's Railway Type, 1918

The first sans serif (letters without pointy bits), of the 20th century was Johnston's Railway Type designed for the London Underground in 1918.

Times New Roman, 1932

Without doubt the most influential authority on printing and typography this century, Stanley Morison is most publicly remembered for re-designing The Times. The October 3rd issue of 1932 was the first to feature his Times New Roman.

Michel Medium, 1960s

A zip through the last 50 years.

Machines took over from men to pursue the goal of ever clearer letters, set ever more quickly.

Up to the turn of the century however, book print was put together by 'Pica Thumpers' – so called after a size of type.

Paid by the 'ennage' (or length of setting) they had a sneaky habit of slipping extra space into the line. It's easy to spot their work.

Then along came the computer...

is for Epson's TLQ 4800. The last word in computer printing technology and the first 48 pin dot matrix in the world.

And not satisfied with an invention that makes printing history, Epson have invented a whole new word to describe how they did it – Supermechatronics.

(Those poor old Chinese, that's another 52 brush strokes they'll have to learn.)

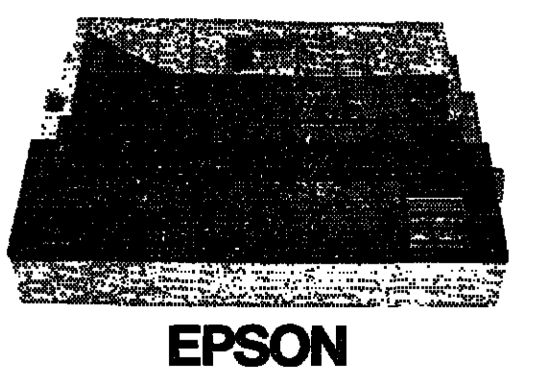
What this gives you is a machine with print quality like a laser (Total Letter Quality no less).

Unlike a laser printer however, the Epson gives you amazing paper handling. You wouldn't believe what it can do with a piece of A3 paper.

If you want to find out what else this revolutionary new printer can do for you, tie a knot in your Quipu and remember to write to: Epson (UK) Ltd, FREEPOST, TK984, Brentford, Middlesex TW8 8BR. Or call up Prestel *280# or phone (0800) 289622 free of charge.

E is also the beginning of the end.

ET SIC FINIS



EPSON

UK NEWS

Swaps ruling may prompt long legal battles

By Katharine Campbell and Raymond Hughes

A HIGH COURT ruling yesterday that financial market transactions carried out by Hammersmith & Fulham council in London were illegal seemed likely to give rise to a series of long legal battles.

The judgment covers sophisticated interest rate swaps and other capital markets transactions entered into by the council between 1987 and 1989.

The apparent scope of the ruling, which suggested that all such arrangements were beyond the powers of the council – and by implication all other local authorities – took bankers by surprise. They had expected the court to rule that at least some of the swaps were legal.

A total of about 70 commercial banks could face losses of up to £400m if the judgment were interpreted as barring all local authorities from making payments on outstanding swap and swap-related transactions.

The judge said the figure relating to Hammersmith alone was over £100m. Precise losses are impossible to quantify because the calculations depend on the future pattern of interest rates.

If the net were to be widened to include all swaps transacted during the seven or eight-year involvement of authorities in the market, that figure could be considerably larger.

A group of five banks among the affected financial institutions had argued that the swaps were legal and are expected to appeal the ruling.

Lord Justice Woolf and Mr Justice French said Hammersmith had exceeded its legal powers by entering into "highly speculative" transactions in the capital markets.

When it made sophisticated interest rate swaps and other deals with banks, the council had not been engaged in interest risk or debt management but trading in the capital market with a view to profit, the judges said.

Lord Justice Woolf said that during the 1987-89 financial years Hammersmith had entered into 592 transactions involving a notional principal sum of £6,002m, when the council's annual revenues were a mere £85m.

Whether those transactions produced a profit or loss depended on whether the council had correctly anticipated interest rate movements.

In fact interest rates had risen substantially since August, 1988, which was why the council could now incur substantial losses, Lord Justice Woolf said.

"What has happened demonstrates the highly speculative nature of the council's activities," he said.

The court's ruling was made on an application by the district auditor, Mr Anthony Hazell, of Deloitte Haskins & Sells, the accountants.

The application was backed by Hammersmith, which accepted that what it had done had been unlawful.

The only parties to argue against the auditor were five of the banks which had been Hammersmith's counterparties in the transactions: Midland Bank, Security Pacific National Bank, Chemical Bank, Barclays Bank and Mitsubishi Finance International. They feared being unable to recover what they were owed by the council if the transactions were ruled unlawful.

Local authorities have in effect been denied access to the interest rate swap markets in recent months pending the High Court decision and bankers had already been scrutinising the implications for authorities' other financial dealings, apart from swaps.

In Brief

Fowler hints at accord on EC social charter

Mr Norman Fowler, Employment Secretary, indicated yesterday that there was still a possibility the UK Government would be able to reach agreement with its 11 partners in the European Community on the proposed social charter.

Speaking at the meeting of the National Economic Development Council, Mr Fowler welcomed the changes agreed earlier this week in the draft charter. He repeated that the Government was not against a social charter, but that it was against the current draft.

Reuters strike ballot

The trade unions at Reuters, the international news and information group, will ballot workers on a a series of 24-hour strikes

N Americans stay away

The Department of Employment, which monitors tourism figures in the UK, announced yesterday that 8 per cent fewer North Americans came to the UK in August compared with the same month last year.

Rail fare rise expected

British Rail is expected to announce average fare rises of about 9 per cent today following the completion of last minute negotiations with Mr Cecil Parkinson, the Transport Secretary.

Flotation delay

National & Provincial, the sixth-largest UK building society, may be forced to delay plans for a stockmarket flotation next year

Cash problems beset plans for high-speed rail line

BR likely to delay chunnel link

By Kevin Brown, Transport Correspondent

BRITISH Rail's plans to press ahead this year with a high speed rail line from London to the Channel tunnel are almost certain to be abandoned at a board meeting today.

The decision will reopen the debate about the route and financing of the line and will mean further uncertainty for residents of Kent, South London and Essex.

BR had hoped to table a private Bill this month seeking legislative approval for its preferred route through Kent and South London to terminals at Waterloo and King's Cross.

But executives decided after a series of crisis meetings yesterday that the financial problems facing the project cannot be solved in time to meet the parliamentary deadline.

Instead, the board will be asked to approve a year's delay to allow time for further talks with the two private sector consortia interested in building the line, led by Trafalgar House and Peninsular and Oriental Steam Navigation.

Both consortia say the project is not viable without a government subsidy of about £1bn because the cost has been increased from £1.7bn to £3.5bn by environmental improvements – including a £1bn tunnel under London.

Trafalgar House won some support within BR for a compromise proposal for a line from the tunnel portal to Swanley, on the south-east edge of London, but this option has been abandoned as unworkable.

BR will try to restrict the review to ways of financing its preferred route through Kent and South London, but the delay will provide an opportunity for supporters of rival schemes to prepare proposals.

Two separate rival schemes are being proposed, both of which would route the line across north Kent and south Essex before terminating at a new station at Stratford, in East London.

One of the consortia, led by Manufacturers Hanover Trust, and Bechtel, the US construction group, has had talks with Transport Department officials, and expects to complete a detailed feasibility study within the next two weeks.

BR is implacably opposed to this scheme on operational and marketing grounds, but the proposed Stratford terminal is favoured by Mr Cecil Parkinson, the Transport Secretary.

Mr Parkinson will come under strong pressure from the Labour Party and pressure groups in Kent and South London for a full review of options.

Mr John Prescott, the shadow Transport Secretary, said the BR decision would continue the existing planning blight on Kent and South London, and urged the Government to provide sufficient public funds to bridge the financing gap.

Telegraph chief holds talks with United

By Raymond Snoddy

MR CONRAD BLACK, the Canadian chairman of the Daily Telegraph newspaper, has made his first move in trying to reach a formal collaboration agreement with Lord Stevens, chairman of United Newspapers.

Mr Black, who recently took over as executive chairman of the Telegraph group, has met Lord Stevens twice in recent weeks. United's newspapers include the Daily and Sunday Express and the Daily Star.

Mr Black, who has taken the Telegraph group from the edge of bankruptcy to a company worth more than £400m in less than four years, has set out a series of proposals for future joint ventures between the two newspaper groups.

Mr Black has built an 8 per cent stake in United, the interests of which include regional newspapers, the Extel information service and magazines such as Punch.

There has been widespread speculation that the stake-building heralds a hostile bid from Mr Black at the head of a consortium determined to break United up.

The signs are for the moment that Mr Black, whose company Hollinger controls 80 per cent of the shares in the Telegraph, is seeking joint ventures and a collaborative relationship with Lord Stevens.

A full bid for United would be expensive and would inevitably lead to an immediate reference to the Monopolies and Mergers Commission.

The possibilities for collaboration would include joint ventures in regional newspapers or magazines. If the two groups were to set up a new national newspaper, for instance, that, however, would not be caught by Monopolies regulations.

The talks are believed to be at an early stage and Lord Stevens has yet to respond to the proposals.

The Bank of England's sneaking German envy

Richard Lambert and **Peter Norman** consider the idea of a politically independent central bank

THE Prime Minister, according to Mr Nigel Lawson, is not interested in creating an independent central bank. The idea, which he presented to her last year, was dismissed for political reasons without any serious debate.

During his time as Chancellor, Mr Lawson was not inclined to treat the Bank of England with exaggerated respect. But the concept of taking control of monetary policy out of the hands of politicians and placing it into the care of technocrats is one that fits snugly with the free market ideals of Thatcherism, and was widely discussed during the early days in opposition.

Mr David Howell, later to be a member of the first Thatcher cabinet, recalled that in 1977 "there was strong sympathy for the idea that monetary policy, although not the be-all and end-all, was too important and complex to be left in the centre of the political arena, and that we could do worse than follow the German example of placing monetary judgments in more independent hands."

But an independent central bank cannot simply be created by Government fiat. If it is to be a lasting institution, it requires all-round support not just from the politicians but – much more important – from the public.

The success of West Germany's Bundesbank, which is the outstanding example of such a central bank, is in good measure the result of history. After the monetary chaos in the early 1920s, the Banking Act of 1924 attempted to guarantee that the Reichsbank should be independent of central government and the amount of credit which it could give to the Reich was strictly limited.

These safeguards were destroyed during the 1930s, when the bank became subservient to the German war machine. After the horrific experiences of two world wars and two periods of hyperinflation, there was never any doubt that the central bank would be kept as separate as possible from government in the new West Germany.

The Deutsche Bundesbank, which was finally established in 1957, is a federal corporation under public law, and its capital is held by the Federal Government. The 1957 Act requires the Bank and the Federal Government to consult and co-operate, and the Bank is required to support the general economic policy of the government.

However, it also states that the Bundesbank must always regard its primary task as being the guardian of the currency. Not only is it to be independent of instructions from the Federal Government: its obligation to support general economic policy is expressly linked to the condition that this does not create insoluble conflicts with its responsibility for the prudent management of monetary policy.

Although nominated by the Government, the directorate of the Bundesbank are appointed by the President of the Federal Republic after consultation with the Central Bank Council – and they normally hold office for eight years. However, these statutory provisions would not in themselves have been sufficient to guarantee independence. This has been established by a series of strong Bank presidents who have been willing to stand up to Bonn when necessary.

In the 1950s the Bundesbank was involved in a series of acrimonious debates over monetary policy with Chancellor Adenauer. The central bank stuck to its policy of tight monetary policy despite open criticism from the Government. Again in July 1972, the Bundesbank emerged supreme in a power struggle between president of the day Karl Klasen, and economics and finance minister Karl Schiller over the issue of the introduction of exchange controls to curb the rapid appreciation of the D-Mark. Schiller, who opposed controls, resigned after Klasen, who favoured them, won the Cabinet's support.

Towards the end of Mr Helmut Schmidt's term as Chancellor in the early 1980s, Mr Karl Otto Pöhl, the Bundesbank president, tussled with Bonn over his insistence on a tight monetary policy to combat inflation while the political fortunes of the then centre-left coalition in Bonn were flagging. Again the Bundesbank held firm.

Perhaps the Bundesbank's real power lies in strong public support. It is, opinion polls testify, perhaps the most respected institution in West Germany. The folk memory of two periods of hyper-inflation in this century have left an indelible mark.

The Bank of England's position is very different. As Sir Kit McMahon, its former Deputy Governor, wrote last year: "The Bank's difficulty has always been that they have no statutory power (except, very recently, for the Banking Act) behind which they can stand and say 'This is our territory'."

The degree of independence which it can exercise therefore depends largely on the character of the Governor and his senior colleagues. In the words of one such figure: "Things do depend on personalities a great deal. Our position at the table depends on our expertise."

There have been periods when it has appeared to run a monetary policy which has been largely independent of political pressures. Montagu Norman, the formidable figure who was its Governor from 1920 to 1944, firmly believed that central banking should be carried on independently of politicians and their civil servants – and yet he always took care to stay on the right side of the Chancellor of the Exchequer, calling in on the Treasury regularly on his way home from work. He kept the Bank clear of the central civil service machine, but only by funnelling all contacts personally through the Treasury.

The destruction of the gold standard in 1932 killed the idea that monetary policy could be regarded as an isolated matter for bankers. By the 1950s, it was finally established after a prolonged fight that the bank rate (at which the Bank exercised its function of lender of last resort) could not be changed without the Treasury's agreement.

Nationalisation of the Bank in 1946 made little effective difference. There was nothing new in the idea that the Bank was a public body: in 1781, Lord North told parliament that it was "from long habit and usage of many years" a part of the constitution.

The Bank resisted with all its might the notion that it was just another arm of government. As late as 1969, the Select Committee on Nationalised Industries found that it published no conventional accounts and would not even tell the Treasury what its top officials were paid. Lord Richardson, the last Governor, regarded himself as the equivalent of a senior cabinet minister, and could take a lofty line with mere civil servants.

But as the Bank has increasingly taken on statutory responsibilities for banking supervision, it has become harder to present itself as an independent agent. It has gained more direct powers than it had, but it has moved further away from the Bundesbank model, which has no such responsibilities.

Sir George Blunden, the veteran Deputy Governor, expressed the position frankly at a private function a little while ago:

"We say that our lack of independence over monetary policy is more than offset by the greater degree of influence we can bring to bear on the whole range of the government's economic and fiscal policies," he said.

"But if we were truly honest, most of us would admit that we envy the authority and power of the Bundesbank and the Federal Reserve System, and believe that countries with independent central banks have an advantage over the rest."

MANAGEMENT: Marketing and Advertising

1989 UK Marketing Award

The chemicals and cornflakes factor

ICI's Anne Ferguson explains to Philip Rawstorne how she has applied basic principles to the multinational's corporate image

Marketing an international company is very similar to marketing a brand of cornflakes or any other product or service, says Anne Ferguson, head of communications at ICI, the chemicals group.

"The basic principles are the same. First you decide who is important to you in terms of target audience. You decide, then, what you want to say to them about the company; and you ask them what they think of the company.

"If there is a gap between what they tell you and what you think they should know, then you have to fill the gap."

For the past two years, Anne Ferguson has been doing just that for ICI – giving new definition to a corporate image which had become blurred by changes in the focus of the company itself during the 1970s and the 1980s.

This week, her work was recognised with her selection as Marketing Woman of the Year by the Chartered Institute of Marketing.

Ferguson joined ICI from Bristol University as a market researcher with Dulux Paints in the mid-1960s. "I was paid a lower salary than male entrants, and I was a right little women's libber," she says.

After only 15 months, she married and left for West Africa where she taught for the next three years in a small church school. "Some people say I've never lost the schoolma'am approach," she smiles.

She kept in touch with ICI colleagues – "It's that kind of company" – and on her return to England, rejoined Dulux. After three years in market research, she was taken into the marketing team. "I started at the bottom again and I learnt everything I know there," she says. "It was a very professional team."

In 1981, Ferguson took over as general marketing manager for Dulux, a business with an annual turnover of £120m and a marketing budget of £14m.

In the do-it-yourself, consumer sector of the paint market, she quickly made women her main marketing target.

The Dulux sheepdog was already being used by Foote, Cone & Belding, Dulux's then advertising agency, to take some of the unpleasantness out of painting – to bring to it a sense of home and family life.

"I like to think I was the first to develop the understanding that it was women who made the important decisions about decorating the home," Ferguson says. Where men regarded painting as a chore, women thought of it in terms of the pleasure derived from a bright, clean and comfortable home.

"We developed the consumer marketing of Dulux on the back of that proposition," she says. Product development – brilliant whites, off-whites, and the range of colours – was brought within the ambit of the marketing department.

Ferguson turned to other sectors of the market – professional decorators and merchant wholesalers. "In some parts of British industry, the thinking still seems to be that general principles can only be applied to consumer marketing," she says. "Absolute rubbish. The basic marketing disciplines are applicable to all products and services. We got a good understanding of what all our markets needed, and produced strong marketing packages as a result."

Ferguson then extended her marketing strategy abroad, introducing paints developed for the UK market first into France and West Germany, then further afield into North America and more unlikely markets such as Malaysia.

By 1986, due largely to the marketing and product innovations, Dulux sales volume had increased by 40 per cent and brand share had risen from 25 per cent to 34 per cent.

The global marketing approach she had initiated at Dulux proved to be a useful preliminary to the next task for which she was chosen – that of promoting a new image for ICI itself.

ICI was an early convert to corporate advertising, running campaigns in the 1970s on themes such as "The Pathfinders" and "Ideas In Action."

As the group started to climb out of a difficult trading period in the early 1980s, during which advertising in the UK had been drastically reduced, the ICI board decided it was time to look again at the image it was projecting.

Anne Ferguson: taking account of national idiosyncrasies

The company had changed considerably over the previous decade or so. It had been radically restructured in an effort to become more responsive to the needs of its markets. It had become more international. It had expanded its high added-value business, concentrating its research and technology in areas such as pharmaceuticals, biotechnology, agro-chemicals and environmental sciences.

Market research in the UK, however, showed that ICI was still generally perceived, even by many of its employees, as a British heavy chemicals company. There was little recognition of its international stature or its research and science base. In the US, West Germany, France and Japan, the group was much less well known than might have been expected.

Ferguson says: "Corporate communications is not an optional extra. For a company such as ICI, it must be part of its ethos. Employees must have a good understanding of the company's operations and strategy; that is a high priority. A general sense of the company's stature helps to attract new talent.

"Customers should know about its diversity; that is good business sense, especially in fast growing markets such as Japan where our aspirations are high. Awareness of the company's investment strategy and its objectives is important for the financial markets."

Ferguson launched her programme to meet these needs in 1987 under the aegis of Sir Denys Henderson, the newly-appointed chairman, who took personal responsibility for the group's identity and marketing.

ICI's logo was revamped by corporate identity specialist, Wolff Olins, and used to brand the group's operations world-wide. "Corporate packaging is just as important as the packaging of any consumer product," Ferguson says. "It tells people what you are offering them."

With the brand symbol in place, priority was then given to ICI's internal communications. It was decided to use videos to provide employees with news of the group's results, acquisitions and new business, and to explain its strategy and objectives. Seven have now been made.

Rondel, the company newspaper, was given a fresh look and business focus to support these efforts.

To address ICI's wider public, Ferguson turned to TV and press advertising. "Advertising brings the company logo to life," she says. "It develops your proposition: shows what the product stands for."

Saatchi & Saatchi produced the "World Class" series of advertisements, emphasising the company's international status and its contributions to "making the world a better place."

This was followed by the "World problems, world solutions, world class" campaign underlining the company's strong research and science involvement.

The same marketing proposition through ICI's advertising worldwide. But the advertisements – on which it is spending £11m this year – have been adapted to take account of the idiosyncrasies of national cultures and markets. "We learnt by trial and error how to present ourselves in an appropriate way in each country," says Ferguson.

She illustrates the problems with an early advertisement for ICI fibres for women's stockings and tights which used photographs of women's legs. It won an award in France but had to be withdrawn in the US because of feminist protests.

Has the advertising worked? "We monitor it very carefully," says Ferguson, laying a sheaf of graphs on the table. Awareness of the company, its international business, its commitment to research and its range of products have all shown a marked increase. Polls in the UK showed only 50 per cent thought of ICI as a world class company in 1987, but more than 70 per cent do so now.

ICI, she claims, has itself become much more marketing conscious in the process. "All our strategies are developed on an international basis, and very much with marketing plans in mind. Marketing is one of the principal driving forces of the group from top to bottom.

"We are confident we are on the right track."

UK travel agencies

Thomas Cook's newest trip

David Churchill assesses an attempt to move upmarket

Thomas Cook, the mid-19th century founder of Britain's oldest and best-known travel company, would probably have turned in his grave this week.

Cook, a teetotal, evangelistic cabinet-maker from Derby who started organising tour groups in 1841 – albeit temperance tours around the Midland countryside – would no doubt have found the razzmatazz surrounding the announcement of an £18m re-vamp of the Thomas Cook travel agency chain just a bit much.

But the launch of the new-look Thomas Cook for the 1990s needed all the hype it could get. As most marketers are well aware, being first and best-known in any market is no guarantee of continuing success.

Thomas Cook's star has been on the wane for many years, first under the sterile ownership of British Rail in the immediate post-Second World War years and subsequently under the control of the Midland Bank Group since 1972.

Midland bought Thomas Cook at a time when demand for package holidays was first beginning to take off; moreover, the synergy of adding a company involved in currency and travel finances seemed to have irrefutable logic for a banking organisation.

But Thomas Cook never seemed to get to grips with the travel boom of the 1980s and and drifted along from its Peterborough base while Midland Bank had more pressing problems, such as Crocker, its former US subsidiary.

"We were complacent and living off our name," admits Peter Middleton, an ex-diplomat brought in as chief executive of the Thomas Cook Group in late 1987 in a last-ditch attempt to rejuvenate the travel chain.

Middleton has spent the past year and a half reorganising the company's management structure, including an influx of new marketing executives (such as Christopher Rodrigues, ex-marketing director at American Express) and textbook moves like delegating authority and making employees more responsible for their performance.

"We had to change the corporate culture stuff to make us more responsive to the consumer," says Middleton.

But the real test for Thomas Cook – in the marketplace – has yet to come. The UK travel industry is going through its most testing time since the mid-1970s when Clarksons, the tour company, collapsed in the wake of the oil crisis.

This year's sales of package holidays to Mediterranean resorts were down by at least 10 per cent in volume terms, largely a consequence of rising interest rates but also because of some consumer disenchantment with the standard of package deals.

Since the summer, however, demand for package holidays has plummeted further; bookings for winter holidays are running at about 30 per cent below last year's level, while those for next summer are 50 per cent down.

While the leading tour operators have declared a truce in the running price war they have fought for years, the battleground has switched to the travel agency chains which are competing vigorously on price to attract customers.

Being best known in any market is no guarantee of continuing success

Middleton and his colleagues at Thomas Cook, however, are well aware that the history of marketing is littered with companies which have tried to fight a price war in a declining market. The way ahead, they believe, is for a marketing-led approach to cream off the profitable elements rather than try to compete only in the mass market.

"With wafer-thin margins from package holidays it makes sense to chase added-value rather than volume," Middleton points out.

Cook's strategy is to adopt a market segmentation approach and gradually try to capture more of the higher spending travellers. It plans, therefore, to redesign the bulk of its 340 high street shops over the next two years to provide four "shops within a shop".

Customers will be directed towards:

- a travel centre selling ferry bookings, car hire, rail tickets and traditional package holidays;
- a flight centre for airline tickets;
- a bureau de change;
- a travel consultancy aimed at selling high-value or tailor-made holidays.

"We tested this concept earlier this year and it confirmed our belief that holidaymakers are becoming more demanding and discerning about the sort of travel arrangements they require," explains John McEwan, managing director of the retail shops.

"There is nothing worse than someone in a traditional travel agency who wants to spend thousands of pounds on a trip having to stand in line behind someone just trying to buy a rail ticket," he adds.

Cook's segmentation strategy is by no means a new one; many retail groups in the 1980s have moved towards shops-within-shops – albeit with varying degrees of success. One drawback is that niche marketing in a retail environment can confuse the customer about what the shop is trying to sell.

Another dilemma facing Cook is whether or not the holidaymaker in the 1990s actually wants, or is able, to move upmarket. The Lunn Poly travel agency chain – market leader in terms of number of shops and holidays sold (Cook is number two in both markets) – has a clear strategy of selling packages at the lowest prices. If the UK economy turns into recession, then price may become the paramount market characteristic, forcing Cook to scale down its plans.

Thomas Cook can take heart, however, from the fact that British Airways is adopting a similar move in travel retailing with its Four Corners travel shops and its new First travel centre in central London.

Moreover, Cook has plans to make greater use of a data base of 1.6m previous customers to sell holidays and related services through direct mail and telephone marketing.

"But we must not forget that we have the premier brand name in travel," adds Middleton. The late Thomas Cook would certainly approve of that.

TECHNOLOGY

Elisabeth Tacey asks whether the quality of tapwater can be improved with filters

A purer drop to drink

George Humphries, managing director of DIY plumbing kit maker Opella Mouldings, is enthusiastic about the potential markets for a new water filter he has developed. People will be able to fit it easily to their kitchen cold water pipe, he says. "You only have to be able to drill one hole. The rest is screwdriver work."

Humphries's plumbed-in carbon filter will join a plethora of products that have reached shops after widespread criticism of the quality of British drinking water. Claims are made about how filters can "clean up" tapwater. But with little regulation and no British standard except for the materials used in the filter, misconceptions about what filters can do have been compounded by scare stories of filters that do more harm than good.

Jug and tap filters, costing about £10, contain a granular active carbon medium. This acts as a simple sieve to catch particles such as lead if present in the water as a fine suspension, and gases such as chlorine. Some also have an ion exchange resin to remove carbonate ions that otherwise cause the temporary hardness that puts scale on the kettle, and dissolved metal ions such as lead, copper or aluminium. A problem is that they have to put ions back in exchange. Some put hydrogen ions in, but these may make the water more acidic. Others put in sodium ions, linked to increased blood pressure and heart attacks.

Ron Gerdingh, managing director of jug filter maker Brita, stresses that, although his filters may remove harmful substances, this should not be the primary reason for buying one. His filters will not remove nitrates or pesticides, two of the five most controversial contaminants along with lead, aluminium and organochlorines. Much of what the filter removes is not harmful but is disliked, such as peat which makes the water brown and gives it an earthy taste.

His filters contain the granular carbon and a hydrogen ion exchange resin. He reckons that building in a resin that removes nitrates "is not a responsible move," because the medium is quickly saturated. The consumer cannot tell when this happens and there is a danger that an overloaded resin will dump a nitrate into the water.

Gerdingh is amazed at the number of "worms that have crawled out of the woodwork" since Brita started in 1981. He believes that there should be more controls on manufacture and testing. "The responsibility is on the manufacturer, and the general awareness and knowledge leaves something to be desired." Testing, he says, should replicate the conditions that the filter will have to withstand in a normal kitchen: "You should not rush through 60 litres a day."

Plumbed-in point-of-use cartridges – which are attached to the kitchen supply and filter the water as it passes through the cold pipe – are the second sort of filter. These contain carbon and some have ion exchange resins, and cost upwards of £100. They have aroused controversy as possible media where bacteria can grow. Like the jug filters, they remove chlorine which, points out Bob Hyde of the Water Research Centre in Swindon, is added by the water authorities to disinfect the water and stop bacterial growth.

Most jug filters have a coating of silver which is known to be toxic to bacteria. They should be kept in the fridge to reduce the chances of growth, but one problem is that people may not like very cold water.

Work done in the US and Canada has found that bacterial growth on plumbed-in carbon filters could be forced into the filtered water under pressure. In the UK, Jenny Colbourne of Thames Water's water quality laboratories has found that bacteria up to 100 times the limit set for potable water can break through.

Brig Daniels, also of Thames Water, stresses that this happens if the filter is not properly fitted, properly maintained, or if the cartridge is not changed often enough – Thames recommends every three months. She agrees that the filters do not remove nitrates.

Hyde points out that in studies on granular carbon filters as replacements for the more common sand filters used by the water authorities, it is known that the carbon filters allow more bacteria through than the sand version. "We are hoping the water industry will be funding some work," he says. He believes that domestic filters are unnecessary.

But Veronica Wells of Citmart, distributor of US-made Ever Pure filters in the UK, disagrees. She argues that the water authorities themselves "reckon home filtration has got to be the answer in the end." On the chlorine question, her view is "let it do its job, but do you want to taste and drink it afterwards?"

The Ever Pure filter is made of powdered active carbon impregnated on a woven fabric. Six layers are used in the cartridge – 450 sq m of medium, she says – which will filter particles of over 0.5 micron diameter. Water authorities, she says, work on a 30-40 micron diameter. Most other filters on the market she describes as "just tubes of granules."

Citmart claims the Ever Pure filter will last for 12 months. It says that dumping of contaminants from its filter is impossible because a valve incorporated in the cartridge reduces the flow of water as the filter nears the end of its life, eventually stopping completely. Wells also points out that it will only filter suspended particles, so nitrates will pass through unless absorbed on to other particles.

Wells wants to see rigorous, independent testing and British standards for filter systems. There is a code of practice set for hygiene by the Auto Vending Association, and Ever Pure filters are tested by the National Sanitation Foundation in the US for six months before getting its seal of approval. In the UK, she argues, independent testing can mean taking a filter to a laboratory and asking for it to be tested for removal of certain substances. But such a test, under controlled laboratory conditions, can be meaningless. "You have to look for a filter that has some kind of approval, I would say from government."

Wells points out that it is illegal to fit any equipment not listed in the Water Research Centre listings directory of fittings, though it is not illegal to sell them. This is one way of checking the quality of a filter on the market.

But Graham Jukes, under-secretary of the Institute of Environmental Health Officers, is not impressed with any of the filters currently on the market. He says that none of the carbon types will remove the main contaminants of concern, nitrates and pesticides.

The only systems that will do so are reverse osmosis filters, which have a fine membrane. But because this clogs so quickly with salts from the water, reverse osmosis machines need softened water – which is not recommended for drinking because it contains raised levels of sodium. Reverse osmosis filters also leave the water almost distilled, lacking any useful salts. They need careful fitting and cost between £500 and £700.

Lead, says Jukes, usually comes from old pipes in soft water areas. He says the problem should be solved by replacing the pipes. For the other contaminants, breaches occur infrequently, he says.

He, along with Daniels and Wells, advises that concerned householders get their water analysed free by their local water authority. But the institute plans a country-wide water sampling programme which would be available in case the public perceives the water authorities as having a vested interest in what they tell their customers. "There is no need to have water filters whatsoever," Jukes states, "unless there is a medical condition that requires their use."

All of this may be perplexing for Humphries, whose filter kit will be available in many DIY stores. Research suggests a market for point-of-use filters of 500,000 a year over the next two years, he says. "At least, that was before all this publicity."

Types of domestic water filters

	Filter medium	What they claim to remove	Cost
Jug and tap filters	A) Granular active carbon	Cloudiness, odour, metallic taste, chlorine, organic matter and particles greater than 30 micron diameter e.g. rust	£10
	B) Granular active carbon and ion exchange resin	As above, plus carbonate ions (temporary hardness), lead, copper and aluminium ions	
Plumbed-in	Granular active carbon	As (A)	£100 plus
	Granular active carbon and ion exchange resin	As (B)	
	Powdered active carbon	As (A) but also particles greater than 0.5 micron diameter	£150 plus
Reverse osmosis	Membrane	Virtually everything including nitrates. Needs soft water to function	£500 -£700

WORTH WATCHING

Edited by Della Bradshaw

Wings that fly free from ice

ICE is removed from aircraft wings by electrical heaters, or hot gases diverted from engines. These techniques require a lot of energy, writes Lynton McLain.

The constant heating and cooling can also put stress on surfaces and cause metal fatigue. Soviet engineers have developed a technique for removing ice without heat. It is based on wave pulses, generated by electromagnetic induction, which use between 500 and 1,000 times less power than conventional heating. The waves are like those from a pebble in a pond. They radiate outwards, rippling ice on the wing surface and breaking it free.

Electro impulse de-icing works by storing a low level of energy in a capacitor and discharging it through a thyristor to electromagnetic inductor coils. The coils are near the surface skin of an aircraft wing and induce a magnetic field in the wing.

This field interacts with the primary field in the coil and generates a circular wave which deforms the surface skin for one hundredth of a second. Several induction coils are used in a sequence that is determined by the harmonic characteristics of the wing.

The technique is marketed in Europe through Barwell International, an aerospace industry equipment supplier.

In a separate development, Plessey Research, of the UK, has developed a sensor which gives helicopter crews advance warning of when they are about to fly into dangerous icing conditions. The sensor is based on ceramics, in which the electrical power dissipated by the device is directly proportional to the total mass of the water droplets in a volume of air.

Driving away toxic waste

AS concern continues to grow about hazardous industrial substances, more companies are considering safe ways of transporting them – both within the factory and along highways and railway lines.

To help do that, the West German company Rietbergwerke, of Reitberg, has developed the Vario-Set system, a family of containers, each one resembling a square milk churn. The system is sold in the UK by EGB Industrial, of London.

Up to four containers, each with a capacity of 80 litres, can be transported together on one pallet. Each container can be filled with a different substance, in liquid or solid form – such as petrochemicals, cutting fluids or used cleaning fluids.

When used for toxic waste, the containers have a double metal skin to withstand an impact. The space between the two can also be filled with liquid, so that a breach in the outer skin could be detected before poisonous substances have a chance to escape.

Characters in a Chinese display

A MULTI-LINGUAL radiopager has been developed in Hong Kong which can display Chinese characters as well Roman letters.

In Chinese mode, the pager can hold up to 32 separate messages, each message up to 39 characters long (compared to messages of up to 79 characters long in English). The characters are shown on the liquid crystal display.

In the case of Chinese characters, up to eight can be displayed at a time. The pager can also handle Arabic characters, and a device for Arabic and Roman numerals is being considered.

The pager, sold by Kantone Paging, uses the international coding system called Pocsag, and works in the 138 to 174 MHz frequencies.

Trial evidence goes overhead

TECHNOLOGY is now on trial within the British legal system to speed up the complex litigation involved in building and engineering disputes.

The Official Referees' Court has installed closed television monitors to obviate the need for passing round reams of photocopied charts, drawings, photographs and sketches. Instead, an overhead camera, focused on a desk by the witness stand, takes pictures of the diagrams and displays them in colour on the large television screens, sited around the courtroom.

The camera, controlled by a device held by the judge or the witness, can zoom on particular sections of diagrams or photos to illustrate the point. The system was installd by Channel Communication Services.

Tech Licensing Fair announced

THE British Government will announce in London today plans for an International Technology Licensing Fair, to take place in Brighton next October, writes David Fishlock.

The Department of Trade and Industry (DTI) is organising the fair, which aims to facilitate international transfers of technology.

People and organisations with technology to offer will be invited to set up simple "stalls" where prospective licencees – particularly from the more entrepreneurial small and medium-sized companies – can meet them.

Their wares will be catalogued before the fair, giving potential licensees the opportunity to decide in advance who to approach. Exhibits will be restricted to models and videos, to put the emphasis on negotiations over intellectual property rather than display of products.

DTI officials say they have developed the idea of a technology licensing fair from similar events tried in the US and Italy, but without government involvement. The DTI secured support for their experiment from the Financial Times, Finlay Publications, the Licensing Executive Society and the National Westminster Bank. It will be organised by Independent Exhibitions.

Contacts: Barwell International: UK, 0954 30383. Plessey: London, 478 3040. EGB: London, 992 9632. Kantone Paging: Hong Kong, 5 897 1111. Independent Exhibitions: UK, 0932 564455. Channel Communication: UK, 0932 231455.

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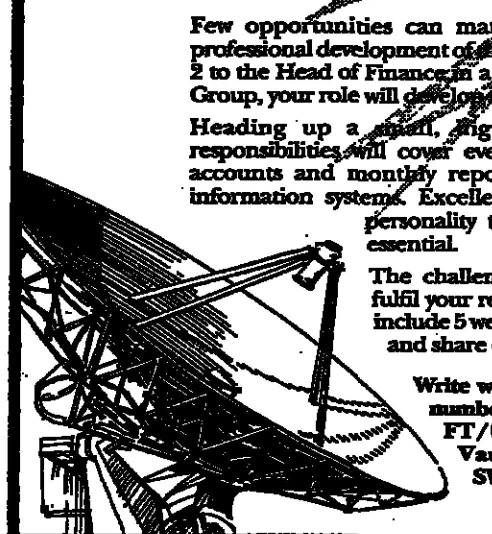

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Allied Lyons

A Great British Company

CINEMA

A crock of compromises

THE RAINBOW
Ken Russell

DEAD CALM
Phillip Noyce

WILT
Michael Tuchner

A CHORUS OF DISAPPROVAL
Michael Winner

TWO MOON JUNCTION
Zalman King

The Rainbow raises an urgent question. Do we prefer a Ken Russell who behaves himself or one who does not?

British cinema's licenced delinquent has adapted D.H. Lawrence's novel as if afraid that, at this stage in his career, his licence may be revoked any minute. Audiences concussed by recent Russell movies (*Salome's Last Dance, The Lair Of The White Worm*) can approach this one without a crash helmet. It is well-mannered and respectful; and only occasionally punctuated by nude rompings, sex by waterfalls or blasts of Wagner on the soundtrack.

But restraint is a mixed blessing. When *Women In Love* launched Russell's movie career 20 years ago, the ex-TV wild child seemed twinned by destiny with the novelist of primal passions. *The Rainbow* is a "prequel" to Lawrence's other novel, chronicling the growing years of Ursula Brangwen and, less prominently, her sister Gudrun, who was played by Glenda Jackson in *Women In Love*.

Jackson breezes acidly through *The Rainbow* as Ma Brangwen. She and Christopher Gable as Pa – both Russell veterans – hit a note that nothing and nobody else match: realism with a broad wink. They play up to Russell's love of hyperbole (notably in tart or knockabout exchanges at the Brangwen dinner table) while never going out of character.

The film's problem elsewhere is that the broad wink is largely missing. The book's greatness lies in a plainness of action lit up with with a transfiguring inner drama, like the central symbol of the landscape transformed by the rainbow. Damping down his vaudeville surrealism, Russell never finds a way to project that inner drama. Nor do his younger stars. As Ursula, Sammi Davis – sloe-eyed, large-toothed and gushy-voiced – tries bravely to shovel charisma into a role scripted here to run along the single-gauge track of a "young girl's awakening."

The stations are predictable, nay inexorable. Crush on bisexual teacher Winifred (Amanda Donohoe with Midlands brogue and Brunnhilde braids); trepidatious romance with handsome army officer Anton (Paul McGann); self-discovery as a schoolteacher. Finally, with rainbow shining and Carl Davis's music syruping away, Ursula grows into womanhood and reaches out across the years to touch the childhood self with which the film began.

Scripted by Russell and wife Vivian, the movie is too often like Lawrence's *The Rainbow* done over by Reader's Digest. Arbitrary slabs of D.H.'s prose (in and out of quotation marks) are inserted into characters' mouths, so that everyone speaks as if fresh from a Great Literature finishing school. "What is the fantastic fulfilment you've hankering for?"; "The darkness: were you afraid of it in Africa?"; "She was no more than an instrument for his perverse sexuality."

Dialogue like this no more approximates to finding a cinematic language for Lawrence than would tearing pages out of the novel and pasting them up on the screen. The few outright liberties Russell has taken with the original may be bizarre: notably a Lake District walking trip during which Winifred and Ursula stumble on a fey, eccentric painter (Dudley Sutton), who invites Ursula back to his place for some nude modelling plus optional spanking. ("The marks soon fade.") But at least such follies have a life of their own – or of Russell's own. At the end of this rainbow, all we find is a crock of compromises. A director who seems desperate to signal a new, maturer bankability – overdraft facilities now running out on his name-making wackiness – impresses here only with a new, dismaying literalism.

★

In the splendid Australian thriller *Dead Calm* nasty things happen to a young couple (Sam Neill and Nicole Kidman) yachting on the mirror-calm Pacific. They come to recover from the death of their baby son in a car crash. They stay to be menaced by a maniac (Billy Zane). The latter boards their boat from a nearby schooner, claiming his crewmates have all died from botulism. But we suspect other things: from the cut of his clothes (very cut indeed), his overexcited manner and his diabolically inky eyebrows.

Director Phillip Noyce (*Newsfront*) and screenwriter Terry Hughes have reeled in an unfinished Orson Welles project, *The Deep*, and laid it panting on the deck. (The source novel is by Charles Williams). They have then cut it up Hollywood-style and generously garnished it with red herrings. Once Mr Neill is stranded alone on the burning mirror, while his uninvited guest makes off with his wife and yacht, the chase is on and nail-biting it is.

Glenda Jackson in 'The Rainbow'

Corpses rear up out of bilge-water. Objects crash out of a clear sky. Rape may be the price of survival. And we are especially moved by the part played by Ben the dog. This well-meaning canine fatally retrieves the yacht's ignition-key when Miss Kidman throws it overboard and is later shown the sharp end of a harpoon in circumstances on which I, a dog lover, do not wish to dwell.

The true scene-stealer, though, is cameraman Dean Semler. He turns the sky into a vast, pale, opalescent hangar, the sea into a silvered hot-plate on which three destinies sizzle. Even when the finale brings a chaos of twists and counter-twists (never count a villain dead until he has gone down for the third, or possibly thirteenth, time), the film's hallucinatory beauty is worthy of a one-time Welles project.

★

Is there a cure for British movie comedy? Close on *Getting It Right* and *The Rachel Papers* comes *Wilt*: a film which conforms to its title over 92 minutes, scorning the best efforts of Griff Rhys Jones and Mel Smith to keep things alert and upright. Directed by Michael Tuchner, this adaptation of Tom Sharpe's comic novel about a teacher accused of wife-murder fails to rise to any comic occasion, despite the presence of inflatable dolls, wacky parties, knockabout kung fu classes and foolish policemen. Griff and Mel jut their jaws like joke-diviners in the direction of anything potentially funny, but few twitches reward them.

Michael Winner's film of Alan Ayckbourn's play about amateur theatricals, *A Chorus Of Disapproval* is tolerably acted, briskly paced and vilely photographed. Bashing around Scarborough like two boy scouts let loose with a Bolex, Winner and cameraman Alan Jones make the beautiful spa town resemble a clapped-out Bognor. Add a criminally jolly score (John Du Prez), some weird Northern accents (Jeremy Irons as the Casanova hero) and the kind of "Ooh, aah" reaction shots that went out with D.W. Griffith, and one wonders if Michael (*Death Wish*) Winner should not have given up half way through and summoned Charles Bronson.

That way some decorative ketchup could have been thrown round the landscape and the film could have been renamed "Death Wish 5: Ayckbourn Signs Away His Movie Rights." As it is, Anthony Hopkins's raving Welsh stage-director steals all scenes not burglar-proofed, and Prunella Scales (excellent as his meekly unfaithful wife) picks up the ones that fall from his swag bag.

The week's funniest film – no contest – is Zalman King's *Two Moon Junction*. From the writer-producer of *9 1/2 Weeks* comes this piece of shimmering lunacy: the tale of beautiful Southern heiress April (Sherilyn Fenn) and the hunk of meat (Richard Tyson) who tempts her from the path of dynastic obedience.

April is supposed to marry overbred, Harvard-bound fiance Chad (Martin Hewitt). But the hunk of meat proves fatally alluring. He works with a travelling carnival, wears long hair and grubby overalls, and spends all his time erecting tent poles. (Must be some symbolism there.) Soon the young couple are grappling in soft-focus, having mislaid their clothes, and the screen fills up with unidentifiable, Himalayan parts of the human body.

"I don't know where I'm going, but I can't wait to get there" says someone: *summing up my feelings exactly.* Mark Plummer does the handsome photography. Burl Ives, Louise Fletcher and Millie Perkins add veteran lustre to the cast. Two hours of foolish, disposable enjoyment.

Nigel Andrews

Kurtág Portrait

ALMEIDA/BARBICAN

While the South Bank is revelling in György Ligeti, the Barbican's "Magyarok" festivities include a whole mini-festival of music by his Hungarian compatriot György Kurtág. Nobody at the Barbican seems able to pronounce their own title correctly: try "Modyo-roak" – first syllable stressed, last kept short. "Mini-festival" isn't quite right either; in fact it's a maxi-festival of Kurtág – more than half his published works, in five concerts – but he writes (painfully slowly) very short pieces, though often in rich, extended sets, and nearly always for chamber-size groups or soloists.

Like Ligeti, he is among the few seriously original composers of our time, and for most ears instantly engaging too. Lucky music-lovers might still find tickets for the remaining concerts tonight, Saturday and Sunday at the Almeida Theatre. The participation of Kurtág's favourite performers is a great feature here, for his laconic style relies upon insightful performance. The least phrase must *tell*, whether as a brick in an abstract structure or as a dramatic gesture, fervent, ironic or deprecatory – and often all of those.

From Webern's music Kurtág learned the art of paring-down to the fewest possible notes; from Bartók's, a whole-hearted respect for actual sound and expressive sinews, inspired above all by the cadences of Hungarian diction (and more recently Russian, in the poetry of Rimma Dalos). When stamped with live conviction, his musical paragraphs have a scathing impact which bypasses mere theory; also sharp, unpredictable wit, an infectious delight in purely musical games, and inexhaustible invention.

At the end of the 1960s Western Europe discovered Kurtág, and since then his work has been so often admired on this page that I won't dwell upon the soprano Adrienne Csengery's phenomenal resource in his impassioned Dalos cycle *Messages of the Late Miss R.V. Troussova* on Monday, nor the lithe brilliance of Zoltán Kocsis in the Eight Piano Pieces op. 3, ending with an explosion of forearm-chords and glissandi. (Tonight Miss Csengery and the violinist András Keller repeat their magnificent account of the hour-long Kafka Fragments, op. 24, and on Sunday – with cimbalom and double-bass – the great Dalos cycle *Scenes from a Novel* op. 19.) Some new and/or unfamiliar Kurtág has been no less exciting.

On Tuesday James Wood's New London Chamber Choir made the op. 16 *Omaggio a Luigi Nono* not only precisely dramatic but quite ravishing; and in the op. 23 Choruses after Dezső Tandori – a more deliberately artful cycle, commissioned by the BBC a few years back – they outshone the original performers by a long way. The other performances by Miss Csengery were as usual extraordinary: naked candour in the unaccompanied but far-ranging Attila József Fragments op. 20, wry sympathy for the op. 25 Three Old Inscriptions (epitaphs, one of them spotted by Kurtág on an ancient Transylvanian mangle) and wrenching intensity in the new Dalos set op. 26, *Requiem for the Beloved*.

Tuesday's concert also included László Sáry's 1968 *Quartetto* for flute, violin, cimbalom and Csengery – ingenious, but in unfair comparison with Kurtág a bit short of character – and the senior composer's four stark Pilinszky Songs op. 11, delivered to potent effect by the young baritone Claudio Danuser. Richard Bernas conducted his Music Projects/London ensemble with even-handed expertise, but it would be unfair to almost any recent composer to programme him along with Kurtág, who has the advantages of supremely refined technique, maturity and idiosyncratic genius.

Monday's concert gave us the almost-latest Kurtág, his op. 27 mini-concerto for piano (Kocsis) *"...quasi una fantasia..."* with ensemble (the London Sinfonietta, conducted by Sian Edwards) stereophonically dispersed around the hall. Descending C major piano-scales at the start, dangerously innocent, and soon set against a background of fraught whispers; then a stuttering machine-gun Scherzo, and a Recitativo with minatory brass (inspired, apparently, by Xenakis's *Eonta*); finally a return to the frail scale-patterns in a newly elevated mood. One's expectations for the notional full-dress piano concerto commissioned from Kurtág, years ago now, are keener than ever – but we are probably in for a long wait still.

David Murray

Merce Cunningham

SADLER'S WELLS

Twenty-one years separate the earliest work, *Rainforest* of 1968, from the most recent, this season's *Cargo X*, which feature in the opening programme of Merce Cunningham's happy return to Rosebery Avenue. These years have seen Cunningham the same but ever and marvellously different in inviting us to look at movement. They have found his creativity constantly fresh and constant in being freshly challenging.

Rainforest wears its years lightly, like the floating silver Warhol pillows that are its décor. It is not the Cunningham of today, for it appears rather tight in its inventiveness, without the scale or the horizons that later pieces reveal to us. It is, nonetheless, a wonderful visual conceit as the dance unfurls its incidents, and a supine girl is gently rolled across the stage, or Chris Komar moves with the stiff-legged, prancing walk that is a signature of his role. The dancers inhabit their mysterious gleaming world with the intentness that is essential to Cunningham's casts, who so often appear like communities caught up in secret rites.

This sense of a private creation is very strong in *Cargo X* and in the *Fabrications* of 1987 which form the rest of the programme. I did not much enjoy *Fabrications* on Cunningham's visit two years ago. Its boldness of incident – seven men and seven women are involved in large-scale set pieces – and the feeling that fragments of drama were being played out amid the sure patternings of the ensemble, helped me to see that it is a major creation.

It confronts group dances with outsiders who impinge upon the movement but only serve to accentuate the formal clarity of the main scheme of the choreography. It contrasts serene stillness with bold leapings and brilliant footwork. At one moment a girl on her knees rocks to and fro as a man holds her, her arm across her face, and is then carried off, and we might be watching part of Cunningham's *Orpheus*. And Cunningham himself moves through the dance, sometimes a magician casting spells, sometimes Father William, and always gripping.

Cargo X begins with its cast of seven standing near a ladder. They dance; they gradually decorate the ladder with yellow chrysanthemums; they move the ladder; their rituals become engrossing, despite an obnoxiously loud score. At the end they take the ladder off stage. We have seen something inexplicable and beautiful happen. And that is typical of every Cunningham evening.

Clement Crisp

A Life in the Theatre

HAYMARKET THEATRE

The reinstatement of this short and delicious early David Mamet play almost justifies the price of a best seat (£17.50) and the needless insertion of an interval. *A Life in the Theatre* (1977) was seen at the Open Space ten years ago with Freddie Jones and Patrick Ryecart.

In its silkily lavish upgraded Haymarket version, the new duo of Denholm Elliott (last seen on the London stage in Peter Nichols's *Chez Nous* in 1974) and young tyro Samuel West (grandson of Lockwood, son of Timothy and Prunella Scales) relates the shifting alliance of an old pro and young pretender to the gorgeous illusionary backstage world of Molnar, Pirandello and, crucially, Rattigan and Frayn.

For this is the lost world of English turn-around weekly rep described by Michael Blakemore in his novel *Next Season* and theatrically memorialised in *Harlequinade* and *Noises Off*. Bill Bryden's edgily inflected production and Hayden Griffin's brilliant design give us illuminated dressing room tables, flying scenery, and a featureless brick stage door area, all floating in a dark void of an empty theatre with footlights and the hint of a gilded box.

Unlike the other early Mamet at Hampstead recently (*The Water Engine*), the play expands to fill the evening. Robert (Elliott) is kicking his heels after a First Night with the new boy John (West). A fencing match of hollow compliments flares in a safety valve of insult directed at the actress who made Robert look "brittle."

The backstage shift of power, hinging on a batch of good reviews for John ("What do they know," is the gist of Robert's resentment, "They don't even buy a ticket" – and I wouldn't, not at £17.50) needs a little more steely nastiness, but the interval may be scuppering it.

Tuesday's Haymarket audience had enjoyed with a vengeance the early post-gin-and-tonic declaration that "all artistic experimentation is shit."

The play excerpts we see are cod approximations of drawing room comedy, elemental cliff-hangers, Elizabethan mock-ups and an unconvincing, though funny, medical sketch in which, after a disastrous six-page jump, Robert declares through gritted teeth, "I can't see a curious growth on his spleen for some time yet."

Alastair Muir

Samuel West and Denholm Elliott

That hilarious area of smooth camouflage and upstage desperation prompted by missed sound cues and failed cigarette lighters is ecstatically relayed by Elliott, who also has a field day as a Gielgud clone in a bath chair and funny hat, seething with wrinkle-nosed tetchiness. While avoiding over-the-top old-laddie-ness, this really wonderful actor, returning in triumph to the boards, conjures a vanished world of superstition, ephemeral reality, and regret.

Michael Coveney

Julia Fordham

HAMMERSMITH ODEON

A Tuesday night in West London begged the question: What is a nice person like Julia Fordham doing in a place like the Hammersmith Odeon? Fordham's bitter-sweet songs and brittle melodies were lost in its wide-open spaces. Although not helped by a curiously under-powered sound system in the early part of her set, Fordham fought bravely against the elements although her painful lack of a strong stage presence and rather gauche style of delivery left the evening firmly encamped in the ordinary.

A former member of beehive beauties Mari Wilson and the Wilsations, Fordham arrived last year as a solo artist on a wave of female singer-songwriters. A contemporary of Tracy Chapman and Tanita Tikaram, her sound has been compared to that of Anita Baker and Joni Mitchell, although she lacks the soulfulness of the former and the clever, catchy, quirkiness of the latter.

Fordham's music is pleasant enough. Some songs stand up well, notably the sassy salsa of "Genius," which wasvery reminiscent of Getz/Gilberto and is the new single the jazzy, feline "Only for You," and the sprightly "Lock and Key," all from her new album "Porcelain." Unfortunately, a good deal of the remainder of her repertoire merges into a seamless, dreamy whole. In live performance Fordham does little to flesh out the rather slight recorded versions, although the strength and flexibility of her voice impresses.

The central problem with Fordham's music is the lack of variety in the subject matter of her songs. She paints a picture of a proud, independent woman, yet one who appears to break her heart over a man at every possible opportunity. This works well on the ironic, feisty, "Woman of the 80's", her best known song and now probably condemned to be the Fordham "anthem" for the rest of her career. But this theme repeats itself throughout much of her work, until it becomes self-conscious and just plain weedy.

Patrick Harverson

ARTS GUIDE

October 27-November 2

EXHIBITIONS

London

The Hayward Gallery. Andy Warhol – two years after his death, a comprehensive retrospective of the career of this seminal yet ambiguous and still controversial artist, since he turned to painting from graphic design in the early 1960s. Sponsored by BP. Until November 5.

The Royal Academy. The Art of Photography 1839-1989: in celebration of the 150th anniversary of the first practical demonstrations of the medium, this large and impressive exhibition leads the visitor through the practical developments and aesthetic variations and experiments in the use of the medium, from the work of the earliest pioneers in France, England and Scotland, up to the present. Daily until December 23.

Paris

Musée des Arts Decoratifs. Je suis le Cahier - Picasso's sketchbooks. After two years of meandering the world over, the exhibition ends, aptly, in Paris. The 40 sketchbooks covering a period of 64 years follow closely Picasso's development. 107, Rue de Rivoli (42603214), closed Tue. Ends December 31.

Musée des Arts Decoratifs. Bohemian glass 1400-1989. Some 200 exhibits, among them the famous ruby-coloured glass, show how makers of Bohemia carried the art of cutting and engraving and painting to such perfection during the baroque period that the renown of Bohemian crystal conquered countriess far apart as Spain and America, Egypt and Ireland. 107, rue de Rivoli (42603214), closed Tue, ends Jan 28.

The Louvre. Arabesques et Jardins de Paradis. The beauty and richness of nature is a leitmotiv which runs through Islamic art from Spain to India, from the 8th to the 18th century. Closed Tue, ends Jan 15 (40205317).

Institut du Monde Arabe. Egypt, Egypt. An exhibition of 25 chef-d'oeuvres, including the most recent finds, starts with statues and bas-reliefs dating from the middle-empire, continues with a golden crown of a high priest of Osiris with some elements of Roman art and Coptic icons and concludes with Islamic exhibits. 1, rue des Fossés-Saint-Bernard (closed Mon). Ends Jan 14 (40513838).

Musée Rodin. A delightful 18th century townhouse – Hotel Biron – contains the life work of Auguste Rodin, whose powerful genius opened the way for modern sculpture. In the gardens his Thinker broods, the Burghers of Calais trudge to their tragic destiny and Balzac, draped in his cloak, defies time. 77, rue de Varenne. Closed Tue.

Musée d'Orsay. The spectacular museum of the 19th century is situated opposite the Tuileries gardens within the metallic structure and the glass-roofed vault of the vast Belle Epoque railway station. 1, rue de Bellechasse (45494814). Closed Mon.

Galerie d'Art Saint Honore. Lucretia. Setting off the white androse-coloured body against a deep black background, Lucas Cranach the elder dares to paint at the beginning of the 16th century in Luther's town a disturbingly beautiful Lucretia. 267, rue Saint Honoré (42601503). Closed Sat, Sun and lunchtimes. Ends Dec 15

Martigny

Fondation Gianadda. A Henry Moore retrospective of some 50 sculptures, 80 drawings shown in rotation and 60 engravings is as impressive by the judicious selection of exhibits, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backdrop. Ends Nov 19 (026-223978).

Brussels

Europalia Japan 89. Having celebrated the art and culture of Austria two years ago the Europalia turns to the east this year, bringing to Belgium the most spectacular festival of Japanese arts outside Japan. Ends Dec 17.

Antwerp

Museum of Modern Art (Mukha) 32 Leuvenstraat. New tools - New Images: art and technology in Japan today with installations by Tatsuo Miyajima, Tsuneo Nakai. Closed Mon, ends Dec 3.

Madrid

Fundacion Juan March. Retrospective of Edward Hopper opens the autumn season at the foundation. 61 works by the New York realist covering a period of 56 years. Until Jan 4.

Palacio de Velazquez. Some 22 paintings and 20 drawings and engravings by Sean Scully, one of the most important figures in the new generation of abstract artists. Ends Nov 19. Closed Mon.

Barcelona

Fundacion Caja de Pensiones. International art. Exhibition of contemporary art from the museum's holdings acquired since 1985, including works by Forg, Fisher, Mucha, Deacon, Kiefer, Polke, Cucchi and Merz. Closed Mon.

Frankfurt

Kunstverein, am Markt 44. A "Prospect photography" to celebrate the 150th anniversary of the invention of photography with 130 works from around 30 photographers and artists. Ends November 26

Munich

Städtische Galerie im Lenbachhaus. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff to date with almost 370 works from 70 private and public collections.

Bonn

Stadtisches Kunstmuseum, Rathausgasse 7. Glanzlichter. 40 years of government support for art. Ends Nov 22.

Vienna

Museum for Applied Arts is hosting a large exhibition devoted to the works of Carlo Scarpa, the Italian artist and architect. The theme is focusing on "The Other city". Until Jan 15.

Rome

Palazzo dei Conservatori, Campidoglio. Giuseppe Ceracchi (1751-1801), Jacobin sculptor. The exhibition includes a touching eye-witness sketch of Ceracchi and co-conspirators in a plotto assassinate Napoleon standing at the foot of the steps tothe guillotine. Until Nov 12.

Venice

Palazzo Grassi. Italian Art: 1900-1945. A much-amplified exhibition covering a briefer period than did the recent show at the Royal Academy in London, organised again by German Celant, with the direction of Palazzo Grassi, Pontus Hulten. Ends Nov.

San Giorgio Maggiore: Hogarth – a beautifully chosen study of the life's work, prints, drawings and paintings, of the first great English artist of the 18th century, William Hogarth, organised jointly by the Cini Foundation in Venice and the British Council. Until Nov 12.

Mantua

Palazzo Te, Trottiero di Palazzo Te, Reggia Gonzaghesca. A vast exhibition devoted to Giulio Romano, Raphael's favourite pupil, who spent the last 20 years of his life in Mantua, producing masterpieces of architecture, painting, engraving and fresco. Ends November 12.

Florence

Forte di Belvedere. African Art: The Roots of Modern Art. One hundred and fifty sculptures, mainly in wood, produced by 66 different tribes spread through central, western and southern Africa. Ends Oct 29.

New York

Museum of Modern Art. Covering only eight years, from 1907 to 1914, Picasso and Braque: Pioneering Cubism consists of more than 350 works of the two artists during their fruitful collaboration before Braque left for war. Ends Jan 16.

Washington

National Gallery. A major international collaboration showing the major works of Frans Hals outside the Netherlands for the first time starts here with more than 60 paintings. Ends Dec 3.

Chicago

Art Institute. Fixing the Shadow shadows the history of photography at its 150th anniversary. Of the millions of possible contributions, the exhibit focuses on 400 pieces by 200 photographers organised chronologically. Ends Nov 16.

Tokyo

National Museum. Art of the Muromachi Period (1334-1537). Major exhibition featuring some 400 works from the period when the shoguns had consolidated their power, bringing a period of relative peace and prosperity with a resultant flowering of the arts, much of it influenced by Zen Buddhism, such as ink painting, garden design and the tea ceremony. Closed Mondays.

Concern over losing our heritage

Two of our great cultural watchdogs released their *annual reports yesterday*, English Heritage and the Reviewing Committee on the Export of Works of Art, and both spoke of successes achieved against a depressing financial background.

Lord Montagu, chairman of English Heritage, was most pleased with finally reaching agreement with the Ministry of Defence over access to its planned visitor centre at Stonehenge, its most popular site. It is now looking for sponsors to make the centre a reality.

On the debit side Lord Montagu is concerned about the Kings Cross Railway Private Bill, currently going through Parliament, which suspends all the statutory protection of the heritage – listing controls, scheduling controls, planning and conservation controls – from the project, and creates a new, over powerful, class of developer.

There was also concern at the lack of clarity in the law concerning the removal of integral fixtures and fittings from a listed building. This is an obvious reference to the Three Graces by Canova which has been detached from its plinth at Woburn Abbey with the hope of a sale to the Getty Museum.

The Export Committee also expresses concern about the nation losing the Three Graces. It has made it a starred item, a new category it has devised for especially *important* works of art threatened with export. The invention of a star system shows that the Committee is resigned to losing overseas some items vital to the national heritage and is establishing priorities. Last year it starred Benjamin West's portrait of Sir Joseph Banks, which was finally kept in the UK, as well as the Three Graces, which, priced at £7.6m, could still disappear to California.

As ever the Committee expresses well argued fears for the future with a review of a year in which few masterpieces were lost abroad. In all it considered 26 important works of art bought in the UK for dispersal overseas and it deferred an export licence on 15 of them. In seven cases the work of art was subsequently saved for the nation by a museum raising a sum that equalled its market value.

Among the treasures lost were Turner's "Seascape Folkestone," which carried the impossible price tag of £20m, more than the collective purchasing grants of all the leading British galleries and museums; a painting by Lawrence of the Prince Regent; and a 14th century Psalter made for the Countess of Northampton.

Antony Thorncroft

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Thursday November 2 1989

Goals for the stock market

THE INTERNATIONAL Stock Exchange's proposals for its primary markets show the ISE moving in two directions: it is making listing easier for big foreign companies, but more difficult for small domestic ones.

This is a logical commercial approach for a large market place which is seeking to move more squarely into the path of global (and, more specifically, European) securities traffic. But the question is whether the decision to kill off the Third Market is the consequence of lack of demand from investors or the corporate sector or simply reflects the bureaucratic inability of the ISE to cope.

Until a few years ago, the London Stock Exchange was rigorous in applying strict listing rules in areas like disclosure, accountants' reports and protection of shareholders' rights in new issues. It could sustain this approach so long as a London listing carried an element of prestige, and so long as its member firms could prosper on a limited volume of business.

Since the Big Bang changes three years ago, however, there has been an urgent search for new business to remunerate the much larger volume of capital invested in the market, and to counter the impact of sharply increased competition on commission income. London can no longer afford to be so fussy.

Community standards

At the same time, the increasing role of the European Commission in setting standards for the Community's capital markets has eroded the ISE's scope for individuality. The EC's are minimum standards, so London could still continue to impose more restrictive requirements. But the new directive on mutual recognition opens up the possibility that the tougher requirements could be by-passed. Most Continental bourses accept a three-year trading record against London's five-year minimum, so London could find itself being forced to accept foreign-listed companies which would not have qualified for a direct flotation. A three-year minimum is therefore proposed for all companies.

This argument is logical enough, but the practical importance seems limited. It is hard to imagine the London stock market being flooded with half-fledged Continental stocks. The proposal should rather be seen as reflecting the ISE's ambitions to expand on the Continent, which it cannot do unless it is prepared to adopt Continental standards. Indeed, the ISE admits to being "anxious" to facilitate the listing in London of major foreign companies, as a support for its SEAQ International market in stocks listed elsewhere. In due course, the listed market and SEAQ International could be merged. Given the commercial problems of many member firms in London it would be churlish to criticise these ambitions. But it is a reminder that as self-regulation wanes in strength in the face of commercial necessity, so the responsibility of the statutory regulators will increase.

Third Market

As for the Third Market, this has proved to have a short life. Cynics might say that the Stock Exchange only absorbed the old unstructured over-the-counter market in order to kill it off after a decent interval. In its defence, the Quotations Committee argues that the USM will be able to accept most of the existing Third Market companies. But there will be no welcome for new candidates.

The ISE is conscious that by moving out of the bottom end "there would be a risk that less qualified and experienced operators might establish markets to attract companies not qualifying for listing, with disbenefits for all market participants, especially investors." But it is more easily arguable that the Exchange should get out of areas where it is not capable of doing an economic job, and let others have a try. The ISE's overheads are too high for it to handle small markets, as its difficulties with its independently-minded subsidiary the London Traded Options Market have shown.

It is a pity that in expanding into the international market the ISE is so concerned to suppress domestic competition. The risks of a new fringe market would be high, but the attractions or otherwise are for properly informed investors to judge, not the ISE.

Lessons for Ms Bhutto

MS BENAZIR BHUTTO, the Prime Minister of Pakistan, managed to survive yesterday's parliamentary vote of no confidence. But, after 11 months in office, she has not yet convinced her countrymen of the value of democracy.

In her defence, it must be said that she inherited a multitude of problems. Eleven and a half years of military rule saw a series of short term measures designed to ward off economic and political crises. Excessive borrowing at high interest rates, often merely to pay the wages of government officials, created a domestic debt of more than $19bn. Social sector funds were cut to finance servicing payments and the military budget, which together ate up more than 80 per cent of current expenditure.

The consequence is that Pakistan today has one of the world's lowest literacy rates (officially 26 per cent and falling fast). Mortality rates are also poor and one child in five will not reach the age of five. Unemployment is 25 per cent and there has been no attempt to restrain South Asia's highest birth rate (officially 3.2 per cent).

Ms Bhutto's political position was also parlous. Her party, the PPP, controlled governments in only two of the four provinces. Troops had been used to suppress growing ethnic problems in her home province of Sindh, further fuelling resentment. The threat of a fourth imposition of martial law remained ever present.

Political activities

However, Ms Bhutto, whose election manifesto spoke of socialism and universal education, whose main support base was, and still is, the poor, and who came to power on a tide of international good will, was expected at least to tackle some of these shortcomings.

It has not helped that she has concentrated so much on exclusively political activities, mainly by trying to depose Nawaz Sharif, the opposition leader, who heads the government of Punjab, the largest province. Mr Sharif, in turn, has used all the tricks in the book to destabilise her national and provincial governments.

Ms Bhutto also created, for political reasons, the country's biggest ever cabinet with more than 70 ministers and advisers. Some of these have taken advantage of time in office to indulge in the same corrupt practices as their predecessors. Ms Bhutto's fear that the army, civil service, business community and President would be hostile to the PPP has, as a result, become self fulfilling. Troops are once more maintaining order in Sindh. For all Ms Bhutto's professed belief in foreign investment as the answer to many of Pakistan's problems, she has not created the stable conditions that would encourage it.

Her external policies might seem to have been helped by greater sympathy from neighbouring India and from by being readmitted to the Commonwealth. But, in domestic eyes, her perceived closeness to Washington has been a liability. Both her policy towards Afghanistan and her widely publicised "war on narcotics" are regarded by many as both untenable and as principally dictated by the US.

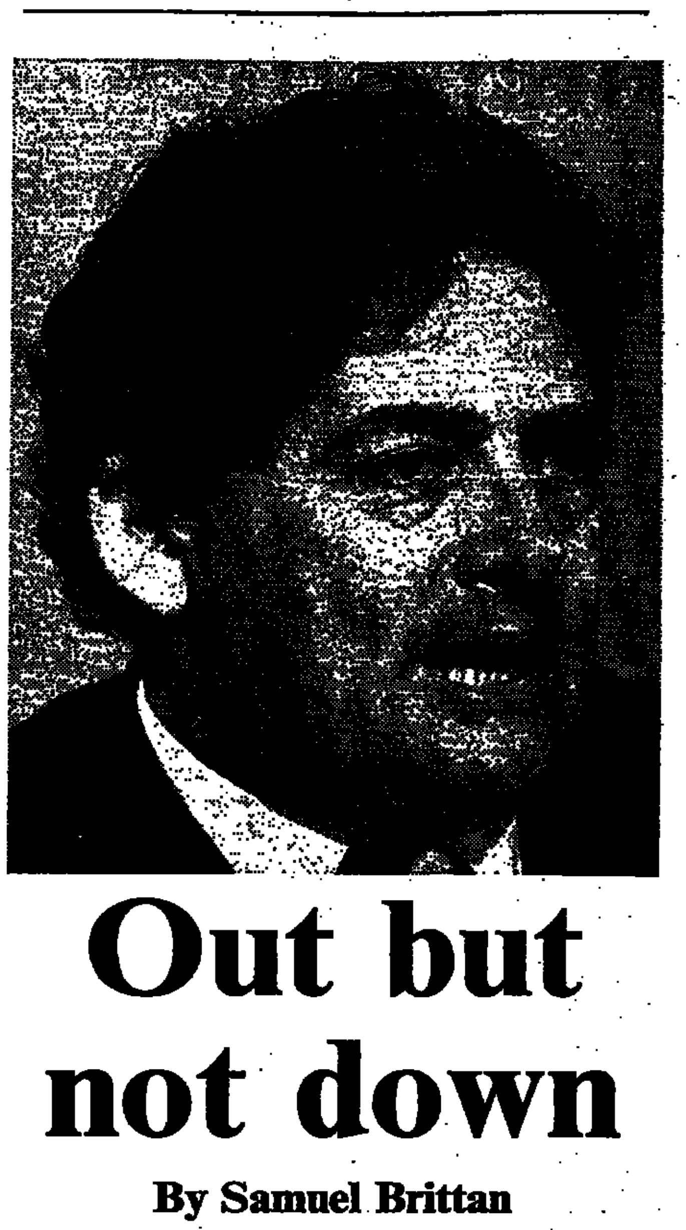
Limited mandate

Ms Bhutto said yesterday that "the vote has shaken the country," but it is her own confidence that has been the most severely dented.

The opposition, growing in strength since the elections, can be expected to try again to unseat her. She should, therefore, be asking herself why all her former allies in the struggle for democracy have deserted her. She should accept that she won only a limited mandate last November and build on that by achieving necessary reforms rather than concentrating on political warfare.

Similarly the opposition should respect the fact that she is the elected leader of the country and allow her some time to govern. By offering millions of rupees to win the support of members of parliament, both sides are guilty of having cheapened democracy in the eyes of the people. They should realise that the men in khaki may not remain content on the sidelines.

ECONOMIC VIEWPOINT



Out but not down

By Samuel Brittan

MR Nigel Lawson's succinct resignation speech on Tuesday was the most electrifying parliamentary occasion I have ever witnessed. It gained from being delivered from a few scraps of paper, not weighed down by briefing material.

The speech should be read in full, both for manner and substance. ("I have made my share of mistakes but am content to be judged when the passage of time has provided a greater sense of perspective.") He risked going above the heads of his audience by dwelling on whether the exchange rate was part of the system of market freedom or part of the framework of financial discipline. But the gamble paid off.

He was specific on the need for the earliest practicable full UK membership of the European Monetary System, but wisely left open detailed issues, such as whether to join now with a wider band, like Italy or Spain, or in a few months' time with normal margins.

But there were also telling remarks on domestic matters. He warned that the economic cycle would always exist. A downswing had begun, although it would not be as sharp as that of 1979-81. A dull 1989 and a difficult 1990 would be followed by a renewed long term upswing.

It is sad that Mr Lawson will not throw his hat in the ring for the highest national office of all. But we are not so rich in national or financial statesmanship that we can afford to lose him from the public policy sphere. To adapt a remark of Othello: he still has the state some service to do.

My impression, from listening to the speech, is that the project for an independent Bank of England was just one of many of his ideas rejected by the Prime Minister in their curious relationship. Not all were on high finance; some were negative as well as positive. Close readers of the political columns will recall that Mr Lawson was one of the few ministers who insisted that the poll tax would be a political disaster; and that he was prevented from limiting mortgage relief to the basic rate of tax.

These supply side issues will live on. Mr Lawson was able to counter criticism of the distortions in the British housing market, from bodies such as the IMF and the OECD, by observing that mortgage interest relief was withering on the vine. For thanks to his insistence, the ceiling has been stuck at £30,000 since 1983 and its value has been undermined by rising property values.

The tabloid press is now fanning hopes that the Prime Minister will try to reopen the issue and that the next Budget might contain an increase of the ceiling to £45,000 and also special help for the first-time buyer. If such bribes are enacted, the Conservatives will have no more claim to be the party of market forces than Labour; and the resulting distortions will haunt the post-election Chancellor and spoil the next upswing. A great preventive responsibility lies with the senior Ministers who are now proclaiming their collegiate spirit.

Now for some of the specific European and financial issues behind the resignation.

1. Nigel Lawson is no more a European federalist than Margaret Thatcher. But whereas Mrs Thatcher, like other Prime Ministers before her, has clung to the Churchillian special relationship with the US, Lawson has always seen Britain's future as lying with Europe.

2. The EMS is not just a technical currency issue. For if the Government could only give some indication that it was likely to join the Exchange Rate Mechanism within a stated time, other Community countries might well agree to put the brakes on French moves towards an early and federalist monetary union. Otherwise, the Community is likely to go ahead without Britain, even if it means a separate treaty. We would then then have a two-tier western Europe, which would be no help in bringing the wider Continent together.

3. The Prime Minister's habit of dwelling on every mote in the European neighbours' eye makes people fear that she hopes to postpone entry indefinitely. Pegged exchange rates, such as the gold standard or Bretton Woods can be mutually beneficial without perfect good behaviour on all other trade matters.

4. Obviously tension between Mrs Thatcher and Mr Lawson had been building up for a long while. But the proximate reason for Mr Lawson's resignation was exactly as stated in his published letter to the Prime Minister. He believed that the successful conduct of economic policy was only possible if there was — and was seen to be — full agreement between the Prime Minister and the Chancellor. This essential requirement could not be satisfied so long as Sir Alan Walters remained her personal economic adviser. Contrary to some suggestions, resignation was, said Mr Lawson on Tuesday, "not the outcome I sought," and he spoke wryly about the "hard landing" that followed.

5. Some senior officials favoured Sir Alan Walters' return, believing that a free exchange of views in Whitehall would be better than mysterious telephone calls from Washington. Unfortunately this did not work. Officials found Sir Alan taciturn at meetings and could only speculate on how he was briefing the Prime Minister when they saw reports by his sympathisers in the press.

6. Many economists who sympathise with Lawson regret that the importance of the ex-adviser was boosted in the resignation letter. But men and women live by symbols. Sir Alan was no quiet backroom figure. He was reappointed after he had made remarks in the summer of 1988, which were bitterly critical of exchange rate objectives in general and Mr Lawson personally. Even before he arrived at his desk last spring, the City columns and analysts' reports were speculating on Sir Alan's views as if they were more important than those of the appointed Chancellor. Mrs Thatcher fanned this speculation by remarking last May that the UK had picked up its recent bout of inflation through shadowing the Mark, an observation in keeping with her adviser's known views.

7. Indeed, I know of no precedent to the systematic undermining of the Chancellor which took place in the year and a half up to his resignation. One of the worst examples was the reports the weekend after the last base rate increase to 15 per cent, which suggested that either Mrs Thatcher and/or Sir Alan did not support the move and were not prepared to use interest rates or intervention to stop sterling from falling further.

8. Any old hand in these scholastic debates will realise that the zealots for monetarism in one country were conducting a campaign against the former Chancellor and his exchange rate policy and that they had supporters in Number Ten. Worst of all, the more populist opponents of Lawson were allowed to get away with suggesting that devaluation was an alternative to demand restraint at home.

9. By contrast, Lord Kaldor, when advising the Wilson Government, did not allow statements about the pound to be attributed to him or any other adviser; and the devaluation campaigners of the time (of whom I was one) emphasised that it was not a soft alternative to domestic restraint.

10. The prevailing atmosphere has been immensely damaging to the conduct of policy. The key word is "credibility." When a Government's policies lose credibility, interest rates have to be raised much higher than they otherwise would to protect sterling; and the the feasible range at which the pound can be defended falls lower. Each recent increase in base rate to protect sterling was undermined by widespread market doubts about the extent of Lawson's support at Number Ten. As a result the pound weakened more and interest rates had to rise still further, thus creating further doubts.

11. It is in this precise sense that the undermining of the former Chancellor worsened the prospects both for inflation and for jobs. This is one more example of how the mix between prices and output in any nominal framework — whether based on domestic monetary objectives, the exchange rate or a mixture of the two — worsens if confidence in the government's sticking to its framework is undermined.

12. There was no need to expect an immediate further weakening of the pound with Sir Alan Walters gone, the new Chancellor, John Major, proclaiming "no change," and the reassertion of Cabinet Government bringing slightly forward the prospect of full EMS membership. Sterling is already near or beyond the extreme lower limit compatible with anti-inflationary credibility. But we have only been granted a breathing space; and it is time in Mr Lawson's words to put and end to the "seeming confusion" and "apparent vacillation" between alternative currency policies.

BOOK REVIEW

The miracle of consciousness

THE EMPEROR'S NEW MIND
By Roger Penrose
Oxford University Press £20

One of the penalties of adulthood is that we tend to lose our sense of wonder. Absorbed by humdrum tasks, we take both the existence of the physical world and the miracle of our own consciousness for granted. Some people even adopt the defensive posture that it is foolish to ask questions about such fundamental matters. In the Emperor's New Mind, Roger Penrose, the Rouse Ball professor of mathematics at Oxford University, offers a marvellous antidote to such defeatism: a rigorous yet informal discussion of the big mysteries of science and philosophy.

I fail to see how anybody can remain unmoved by the book's central theme, which concerns the nature of human beings. Some scientists argue that it is only a matter of time before mankind creates a machine capable of thinking and feeling. In their view, the fact that we are composed of flesh and blood is a biological accident. This is just the "hardware" of human computers. Our thoughts and feelings are determined by the "software" that is run on that hardware. This takes the form of exceedingly complex mathematical instructions or algorithms. In principle these algorithms could be run on electronic hardware. If this were done, our consciousness and sense of personal identity would be transferred to a machine.

Believers in this strong form of artificial intelligence (known for short as "strong AI") see it as a liberating doctrine. After all it offers the prospect of eternal life in this world rather than in an uncertain hereafter. And they take comfort from the amazing achievements of computer science in recent decades: machines can already defeat grandmasters at chess.

Mr Penrose has little sympathy for strong AI. He does not think computers are ever likely to attain consciousness as we understand the term. But in attacking the theory, he makes no appeal to religion or other forms of metaphysics. On the contrary, he wants to show that strong AI is flawed as a scientific theory. This proves to be an extraordinarily difficult task.

The author tries two tacks. The first is to undermine confidence in the explanatory power of conventional science. To do this, he takes the reader on an exhilarating tour of the theoretical edifice constructed by such giants as Galileo, Newton, Einstein and Schrodinger. The discussion of classical mechanics, special and general relativity, quantum mechanics and cosmology is demanding but brilliant. Nobody before has attempted to convey so much of the detail of these theories in non-technical language.

After several hundred pages, Mr Penrose concludes that modern science cannot yet provide a coherent explanation of the natural world. Quantum mechanics and general relativity — the twin triumphs of 20th century physics — are incompatible. In particular, contemporary theories seem incapable of explaining the operation of our minds. He speculates that the way forward lies in the creation of a new theory of "quantum gravity." Such a theory, he suggests, might shed light on the phenomenon of human consciousness and thus help explain why we differ from machines. Unfortunately, his description of the content of such a theory is vague in the extreme.

Mr Penrose's second line of attack is mathematical. Computers work by manipulating data according to systematic rules known as algorithms. This means they can mimic human beings only if all our thinking is algorithmic. But even in mathematics, argues Mr Penrose, where we appear to be at our most logical and rational, much reasoning is inspirational rather than mechanical. By appealing to a famous theorem proved by Kurt Godel in the 1930s, he claims to demonstrate that mathematicians cannot rely on algorithms to judge the truth or falsity of propositions. In some mysterious way, they directly perceive mathematical truth. Computers, by contrast, are blind manipulators of symbols.

Like Mr Penrose, I find it difficult to believe that we are merely "meat machines." But I do not think disciples of strong AI will be impressed by his arguments. He does not show that a mathematician cannot be using an algorithm when he shouts Eureka, merely that the algorithm could never be known to him. Likewise, his criticisms of existing scientific theories leave the status of computers entirely open. If we don't understand the phenomenon of consciousness, how can we be sure it cannot be enjoyed by a machine?

But whether Mr Penrose establishes his claim hardly matters. His style is relaxed and entertaining. There are nuggets on almost every page. For example in discussing the origin of the universe, he points out that the probability the initial Big Bang would have resulted in a universe of the kind we inhabit is unbelievably tiny: one divided by a number so large it could not be written down in full even if a "0" were placed on every proton and neutron in the universe. The author carefully draws no conclusion from this remarkable calculation; but the religious will be inclined to regard it as evidence that our world resulted from an act of conscious creation.

Michael Prowse

OBSERVER

How to upset the IMF

■ There is a strong view among Finance Ministers, past and present, that the annual meetings of the World Bank and the IMF should always be held in Washington. Current practice is Washington two years in a row, then elsewhere.

The pro-Washington lobby may be reinforced by the news from Bangkok, where the meetings are due in 1991.

It had all seemed fairly straightforward. The venue was to be the Central Plaza Hotel complex, half way between the airport and the centre of what is one of the world's most congested and polluted cities. The Thai Cabinet, however, has now accepted an out-of-the-blue proposal from its own Finance Minister, Pramual Sabhavasu, to build an entirely new state-of-the-art conference centre on one of the few patches of open greenery left in the city centre.

The initial estimate of the cost is around £40m. And, because of the obvious time constraints, the Cabinet has waived the rules on competitive tendering and told Pramual to chose whomever he liked to do the job. To cries of foul from opposition politicians, the Minister has picked a company called Design 103. It has 20 months to design and build from scratch a 40,000-50,000 square metre facility of which the nation can be proud.

But, as the local press has pointed out, the head of Design 103 has fared worse. A few years ago, he was shot and seriously wounded in a dispute over a multi-million pound building project, and for a time became a monk.

Quiet Walters

■ Sir Alan Walters, the departed economics adviser to Margaret Thatcher, seems prepared finally to avoid controversy even in the US.

Walters was scheduled to speak this week to the Senate Task Force on EC 1992, but he left a message on the group's answering machine at the weekend which said simply: "I can't come to speak to your group. I can't talk to anybody."

The Task Force yesterday released ten recommendations on 1992. Number Ten, added at the last moment, was a call to study the implications of the European Monetary Union, a subject on which Walters has some views.

Better late

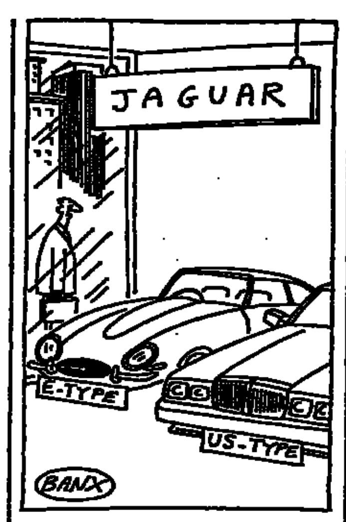
■ Nothing nouveau about the latest entrant to the International Stock Exchange in London. It is Stora, the largest forest products company in Europe and one of the leading companies worldwide in such markets as pulp, newsprint, fine paper and packaging. It also owns Swedish Match. The company has been around for about 700 years and is probably the oldest in the world.

Stora has formally applied for a listing on London and Frankfurt in its B Free Shares. Dealings are expected to start on both exchanges next Tuesday.

Musical lead

■ Czechoslovakia still stands out against the reforms that have been sweeping much of the rest of Eastern Europe. The Czech Philharmonic Orchestra and its long-serving music director, Vaclav Neumann, however, have begun to stir things up.

Long regarded as the crown of national musical life, the Czech Philharmonic benefits more than most in its pay and privileges. Yet during their current tour of West Germany,



the musicians were upset to hear that some fellow performers had been banned from Czechoslovak state radio and television. The reason given was that they had signed a petition calling for broader dialogue between the authorities and the people.

Neumann, doyen of Czech conductors, announced that he would boycott the broadcasting services until the ban was rescinded. The orchestra then decided by 93 votes to 3, with one abstention, to withdraw its services as well.

The musicians are due to return home this weekend. Although there may be some tough talking first, the betting must be that the authorities will back down.

Modest Day

■ Sir Robin Day, appearing at a Foyles Literary Luncheon to celebrate the publication of his book Grand Inquisitor, pointed out yesterday that the televising of Parliament is arriving at almost the best possible time. Rarely have British politics been so interesting and unpredictable.

Day has been a long-time advocate of showing the proceedings live. He says that if the decision had been taken years ago, there would have been no need for people like him, though perhaps he is just being modest.

He recalls making an early appearance on American television with two other commentators called Ed and Mort. The producer said: "I want the three of you really to kick the subject around for about 30 seconds."

Pink blossoms

■ Philip Pink, formerly joint number two in the Government's Insolvency Service, has joined the brain drain to the private sector. After answering an ad in the Times, he has given up his distinguished titles of Senior Official Receiver and Deputy Inspector General of Insolvency and taken on the role of National Manager of Insolvency Professional Standards for accountants Touche Ross.

Pink, 55, who spent 30 years in public service, says he is the Insolvency Service's most senior departure yet — but claims that the service, the largest of the DTI's 60 divisions, is not threatened by the sort of stampede for the exit that has stretched the Inland Revenue.

His reason for leaving: after 20 years of case work and 10 in the policy division, he has experienced everything the service has to offer. This includes several years conducting public examinations of bankrupts — something he describes as a "Dickensian" practice, designed mainly to humiliate bankrupts at a time when the social stigma of being unable to pay your bills was greater than it is today.

Hot stuff

■ One of the items on the menu of a Soho café last weekend was "Lover and bacon".

Guy de Jonquières examines the turbulence surrounding the Airbus project

The squabbling that threatens success

After 20 years of struggling to get off the ground, sales of the European Airbus are finally airborne. The venture's order books are bulging thanks to a buoyant commercial airliner market. Its short- to medium-haul Airbus A320 has proved a world-beater and, as an added bonus, its arch-rival Boeing is temporarily incapacitated by a labour dispute.

Yet, *at what should be its hour of glory*, the commercial viability of this heavily-subsidised showpiece of European collaboration is threatened by persistent squabbling and nationalistic rivalry between its government sponsors and aerospace industry shareholders.

These strains raise serious doubts about the effectiveness of efforts earlier this year to overhaul Airbus's *sprawling management structure*. The re-organisation, intended to cut costs and place the four-nation consortium on a firm business footing, is widely seen as essential if it is ever to stand a chance of making profits.

Chancellor Helmut Kohl of West Germany is expected to raise the political temperature further today by using a summit meeting with President Mitterrand of France to renew demands that the A320 assembly line be uprooted from Toulouse and transferred to Hamburg.

West Germany claims the proposal would save costs. Other governments strongly disagree and see it as a blatant attempt to grab a bigger share of production work for Messerschmitt-Bölkow-Blohm (MBB), the German "partner" in the Airbus Industrie consortium.

So far, President Mitterrand has resisted the demands. *France is worried* that they would disrupt A320 production and undermine the interests of Aérospatiale, its state-owned aerospace company, to which the Airbus assembly facility in Toulouse belongs.

In an effort to defuse the dispute, Mr Mitterrand and Mr Kohl agreed earlier this year to commission a joint economic analysis of the German proposal. However, the authors of the study differed so sharply that they were unable to agree any joint recommendations.

There are suggestions that Mr Mitterrand may try to buy Mr Kohl off by agreeing to finance a joint military helicopter project if MBB drops its claim to the A320 assembly line.

However, such an outcome would antagonise Britain and Spain, the two other countries involved in Airbus. They are already angry that France and Germany are negotiating on an important aspect of the programme's strategy without consulting them or observing the formal procedures for Airbus decision-making.

What worries the UK most is that if Airbus is allowed to become a pawn in a political power game between Paris and Bonn, hopes of cutting the venture's close ties with governments and getting it to fly under its own power will be dealt a severe setback.

The position of British Aerospace, which has a 20 per cent stake in Airbus, gives the UK a particularly compelling interest in making the programme viable. As the only Airbus partner which is wholly privately-owned, BAe argues that it has to meet tougher financial criteria than its state-backed continental counterparts and cannot afford to continue to run up large losses on the venture.

These reasons have prompted the UK to fire a shot across the Franco-German bows in the form of a report on Airbus, commissioned secretly in collaboration with Spain. It was delivered to the two governments this week, just ahead of today's Bonn summit.

The report was drawn up by Sir Jeffrey Sterling, chairman of the P&O shipping and construction group and a part-time adviser to the Department of Trade and Industry, and Mr Emilio Gonzalez Garcia, a banker and businessman who previously chaired Casa, Spain's Airbus partner.

They say that adopting the German demands might yield savings, but would risk damaging Airbus production and sales. Their main message, however, is that if the venture is ever to become profitable, governments *and partner companies must stand* back and give the management of the Airbus Industrie (AI) consortium complete freedom to run it.

The report also expresses concern that the restructuring of AI agreed by governments earlier this year has not gone far enough. The reforms, based on recommendations by four "wise men," who included Sir Jeffrey and Mr Gonzalez, were designed to tackle two of the programme's most glaring weaknesses: lack of a unified management and inadequate cost control.

Though AI has its own management and staff of about 1,300, its role is limited to sales and marketing. Responsibility for aircraft development and production has remained the jealous preserve of the four Airbus partner companies, which have shared out work between themselves in strict proportion to their shareholdings.

This opaque and lopsided system has encouraged the partners to offset losses on Airbus sales by bidding up the prices they charge for contracting work. AI has been powerless to check the resulting inflation of the programme's costs, because the partners have refused to divulge detailed financial information about their activities.

Under the reorganisation, the board structure of AI has been streamlined *and a finance director appointed for* the first time. The partner companies have also agreed that work on the proposed A321 airliner, a "stretched" version of the A320, should be awarded on the basis of competitive bidding.

However, resistance to change by the partners has blunted the impact of the reforms. In particular, they have severely circumscribed the role of AI's new finance director, Mr Bob Smith, who was seconded to the post from BAe's Royal Ordnance subsidiary seven months ago.

His role is considered crucial to improving the programme's efficiency. But instead of enjoying wide authority over its finances, as the four "wise men" intended, he has been obliged to seek authorisation from the supervisory board simply to obtain basic financial information. Mr Smith is said to have grown rapidly disenchanted, and it is uncertain whether he will stay on after the end of the year.

Some critics blame Mr Hans Friderichs, a former German economics minister and banker, who chairs the AI supervisory board. His numerous other business commitments limit the time he devotes to the job, and he is accused of being too timid in imposing changes which cut across the vested interests of the Airbus partners.

The Anglo-Spanish report recommends that the powers of the finance director be expanded and that a deputy chairman, independent of any of the Airbus partners, be appointed to back up Dr Friderichs. However, these changes would probably have only a limited impact unless the Airbus partners were really determined to make them work.

Some observers believe the decision by the Daimler-Benz motor group to take control of MBB could help speed up the pace of reform at AI. BAe, in particular, hopes that, as a privately-*owned company, Daimler will have a* strong incentive to make the consortium more efficient.

Such optimism may be premature, because Daimler is far less exposed than BAe to short-term commercial pressures. The German company enjoys powerful support from Deutsche Bank, its largest shareholder, and may also be able to re-negotiate the terms of the MBB takeover with Bonn in the 1990s if Airbus fails to perform.

In any case, as the Anglo-Spanish report points out, the root of Airbus's problems does not lie in whether the partner companies are publicly or privately owned. The real stumbling block is the inherent conflict between their roles as shareholders in AI, as sub-contractors to it and as members of its board.

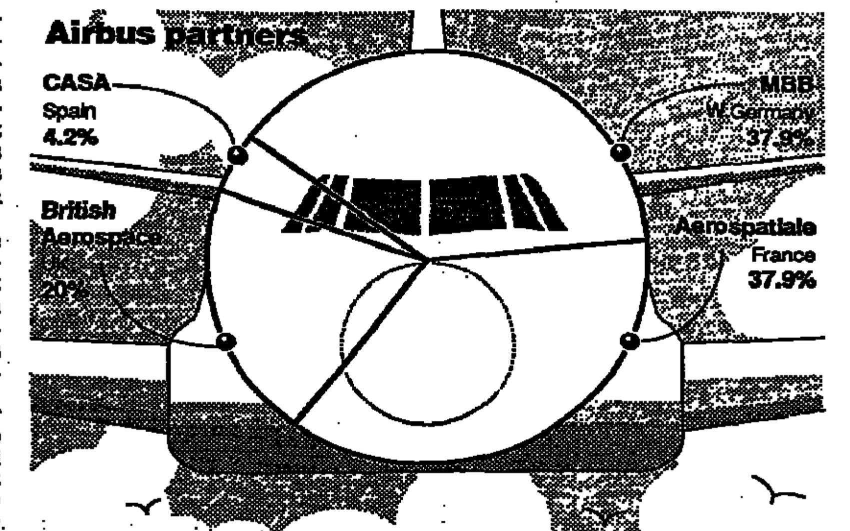
These curious arrangements make it almost inevitable that the partners put their own commercial interests above those of the consortium as a whole. Each of them has a greater interest in making money on Airbus production contracts than in waiting for returns from profits on aircraft sales. Moreover, it has been impossible fully to integrate Airbus production because each partner continues to carry out work in its own factories.

Longer-term, the only solution may be to change AI's ownership structure. It was agreed in principle earlier this year that the venture should be transformed as rapidly as possible from *a groupement d'intérêt économique*, a form of French private consortium, into a public limited company (plc). This goal is strongly supported by Britain and Germany, though more cautiously by France.

However, the practical obstacles are *formidable. Little progress can be* made until the European Community legislates a European company statute, a process that is likely to be long and complex.

Furthermore, implicit in the plc plan is the notion that the partners would surrender control over production. The Anglo-Spanish report argues that "it may well be that a fully commercial operation will only be possible when the activities of Airbus in the partner countries are 'ring-fenced' and identify with, and are accountable totally to, AI." Few, if any, of the partners are likely to be enthusiastic about hiving off their Airbus operations to an independent AI management. Aérospatiale has argued that such a divorce would also be damaging because Airbus's work, to be economic, needs to be carried out on the same production lines as military aircraft.

There thus appears to be plenty of scope for further tense in-fighting about Airbus in the next few years. It will take much determination and political will to transform the programme from an industrial pork-barrel, which has enabled each of its member countries to maintain a separate national aerospace sector, into a truly unified business enterprise which can compete profitably in world markets.



Orders and deliveries
31October 1989

	A300 A310	A320 A321	A330 A340	TOTAL
Orders	589	700*	380**	1,252
No. of customers	68	26	15	84
Deliveries	475	64	–	539

* Includes 89 firm plus 74 option for A321 ** Includes 136 firm orders

Production plan

	1988	1989	1990	1991	1992	1993
A300/A310	42	42	42	44	44	44
A320	29	59	86	100	110	110
A330/A340	–	–	–	5	24	47
Total	71	101	128	149	178	201

Source: Airbus Industrie

LOMBARD

Japan's labour shortage

By Ian Rodger

COULD worsening labour shortages be more effective in forcing structural changes in Japan's economy than the doubling of the yen against the dollar four years ago?

According to Hiroshi Hamada, president of Ricoh, the maker of copiers and facsimile machines, Japan's labour shortage is becoming so acute that the company will soon have to rely on its US factory to ensure an adequate supply of products for the Japanese market. Up to now, most Japanese manufacturers have looked on their offshore factories as, at best, partial suppliers for local markets, so their impact on Japan's trade balance has not been that great. *However, if companies are* forced to rely on their foreign factories to supply the home market as well, Japan's trade surpluses would fall rapidly.

Such a large scale shift in production was expected to happen following the yen revaluation in 1985-86. But Japanese manufacturing industry, surprisingly, overcame the negative effects of the high yen *with relative ease. The domes*tic production base has become stronger in the past three years and the country's trade surpluses have increased.

Some have seized on this performance as proof that Japan's economy works in a fundamentally different way and that it is not responsive to market forces. If Hamada's prediction is accurate, it suggests a less drastic conclusion – that normal economic forces work in Japan, but are often impeded by strong cultural and institutional barriers.

Four years ago, Japanese government and business leaders committed themselves to carrying out substantial structural changes to the economy. But when they saw the scale of the yen's revaluation, they took fright and stirred up a climate of anxiety, claiming that the domestic economy would become hollowed out – in the haunting expression of the day – and unemployment would soar. That sort of alarmist talk undoubtedly contributed to creating a mood in which Japanese workers were willing to work extra hard to protect their industries.

Today, Japan's atmosphere is very different. The unemployment rate is a negligible 2.2 per cent and the job offers to job seekers ratio has reached an astonishing 1.35:1. The average university graduate this year – not the best, but the average – has received more than two job offers. Some companies have already resorted to wooing redundant workers in remote villages to move to other parts of the country. Construction companies and other blue collar employers find it difficult to get the increasingly affluent Japanese to do menial tasks, and have recruited immigrant workers, even though it remains unlawful for unskilled *foreigners to work in Japan.*

If the economy were peaking with the prospect of a significant easing of growth in the near future, employers could probably cope by making greater use of part time workers and overtime. But the economy is most unlikely to soften. Because of foreign pressure on Japan to reduce its huge trade surpluses, the high rate of *domestic demand growth is* expected to continue indefinitely. Everyone believes that if private sources of growth slow, then the government will have to stimulate demand.

The high level of capital spending in manufacturing industry suggests that most companies have recognised the plight they face and are doing everything they can to increase productivity through automating their processes. But there are limits to the potential benefits from this source in a country which already leads the world in factory automation. Thus, many companies will probably have to accelerate the shift of production overseas . . . unless, of course, the labour shortages help to speed up progress on other long needed structural changes in the Japanese economy, such as making better use of female labour, rationalising banking and other heavily overmanned service industries and easing the restraints on immigrant labour. But then, if these trends really started to gather pace, the Japanese leadership might well take fright again.

LETTERS

'Cynically moving the goalposts'

From Mr Neil Ostrer and Mr William Arah.

Sir, The UK Government has once again demonstrated its inability to understand the very laws of the free market which it has been so keen to inflict on the general public during the last decade.

An important material fact when valuing Jaguar was the existence of a "golden" share until the end of 1990; its presence clearly reduced the privatisation proceeds. Professional investors like ourselves, selling shares and dealing in options for pension fund and other clients over the last few weeks, have been penalised.

Once again (as with the artificial floor under the BP underwriting in October 1987), Government manipulation of material issues has affected free market stock prices for political ends. It is not the *takeover of Jaguar by a foreign* company that is objectionable; it is the cynical moving of the goal posts that is intolerable in a so-called sophisticated stock market. To do so under the pretext of "reducing uncertainty" is astonishing. It will be interesting to see how the City copes with future guarantees and provisions made by the present Government.

Jaguar shareholders will almost certainly vote for the removal of all ownership restrictions, and the company may be sold to the highest bidder in a few months, and many may profit – not least the Jaguar workforce. But in the meantime, once more, a principle has been sacrificed in the name of political expediency.

Neil M. Ostrer,
William J. Arah,
Marathon Asset Management,
140a Gloucester Mansions,
Cambridge Circus, WC2

Lest we forget

From Mrs N.J.W. Page.

Sir, How quickly we forget and how ungrateful we are. Who really remembers what life was like in the UK in 1979? How the world laughed at a fallen empire with no future?

Those who continually accuse the Prime Minister of being overpowering and aggressive should consider the qualities required to run a country or business. Those in business might reflect on how popular their decisions always are with their own staff. Those in other political parties might reflect on what percentage of the party really support its policies. Those in the Conservative party might wonder whether they would show continued calmness, dignity and courage under such pressure.

Margaret Thatcher has worked tirelessly for the UK at home and abroad. She has rid us of an antiquated class system and given everyone a chance to succeed. She has restored our national pride. To a great extent she has freed us from Government interference and allowed us to be masters of our own destiny – yet we blame her for our own moral and economic failures. With individual freedom comes individual responsibility.

Do those who are so quick to judge Margaret Thatcher so harshly really believe that Michael Heseltine or Neil Kinnock care more about their country than their own success? Would they stick to what they honestly believed to be right, no matter how severe the criticism? Could they maintain total presence of mind and control during a crisis? Would you really trust them to do what was best for the country rather than themselves?

It has always been popular among the so-called intellectual classes to sneer at Margaret Thatcher. The rest of us might be more honest and grateful for what she has achieved on our behalf.

N.J.W. Page,
38 Lowndes Square, SW1

Keynes updated

From Mr Geoffrey Gardiner

Sir, For the last two years at least we have effectively been in the EMS – put there by the deviousness of "Sir Humphrey Appleby" and friends. It has been a painful experience *which will cost Mrs Thatcher* the next election, so why are the "teenage scribblers" in agreement with Mr Lawson that it is a good idea?

If they were cleverer they would have re-read and secretly updated Keynes's 1925 pamphlet, The Economic Consequences of Mr Churchill, and presented it as The Economic Consequences of Mr Lawson. The theme would be the same: the folly of entering a system *of fixed exchange rates* with an overvalued currency. To this could be added the argument that to maintain the value of the currency to prevent inflation is ridiculous if its sole effect is to maintain and probably increase West Germany's trade surplus with us.

We may also speculate that if the bank rate (let us use the old name) had been 2 per cent in the last two years, Barclays Bank would not have thought it worth while to have a rights issue to expand the money supply by £17bn.

Geoffrey Gardiner,
8 Molly Poots Close,
Knutsford,
Cheshire

Shadowing the Deutsche Mark

From Mr Charles Young.

Sir, Public interest in the supposed disagreement between UK Government members over the EMS seems to distract from a more serious issue: the lack – among those who advocate EMS membership – of a coherent appreciation of what is involved.

The ill-fated experiment in shadowing the Deutsche Mark *illustrates the problem. The* experiment had to be abandoned because control of domestic demand required higher interest rates, yet these were incompatible with exchange rate stability. In the end the rise in interest rates led, of course, to a rise in sterling which Mr Lawson correctly predicted would be short lived, but which he was unable to prevent. The only way this dilemma could have been avoided was by dampening domestic demand by a more restrictive fiscal policy, avoid*ing the need to push up inter*est rates. Yet none of those who now favour EMS membership then advocated a larger Budget surplus; I recall Mr Samuel Brittan's scorn of "fiscal masochism."

Some may argue that, had expectations been more strongly affected by an open commitment to the EMS, the experiment would have succeeded. It would be prudent to doubt whether arguments based on expectations can be manipulated so as to permit the implementation of incon*sistent* policies.

Charles Young,
Landell Mills Commodities Studies,
14-16 George Street, Oxford

Approaches to building societies have to be friendly

From Mr M.J. Boléat, Director General, The Building Societies Association.

Sir, David Barchard's article "Banks 'may be predators' of building societies" (Tuesday October 31) while fairly accurately reporting my paper, does not give the correct impression.

By "predator" one assumes an organisation with hostile intent, and the paper makes the point that while there are good grounds for arguing that a number of financial institutions might wish to merge with a British building society, they would not wish to do so other than on a friendly basis.

The objective of the paper was to set out, as dispassionately as possible, the current situation in respect to takeover approaches to building societies.

The broad conclusion is that if a building society wishes to remain as a building society then it faces no threat of a hostile takeover, because of the nature of building society legislation; together with the fact that it is difficult to see why any institution should wish to take over a building society on a hostile basis.

There has been unreasonable speculation about the possibility of hostile bids to which building societies, because of their special legal position, could not respond, and societies were naturally concerned that they would have to devote management resources and money to erecting defences. The paper shows this is not necessary.

M.J. Boléat,
The Building Societies Association, 3 Savile Row, W1

FINANCIAL TIMES
Thursday November 2 1989

LAWSON EXPLAINS THATCHER ROW

Why a British 'Fed' was rejected

By Philip Stephens, Political Editor

MR NIGEL LAWSON's proposal for an independent Bank of England was rejected by Mrs Margaret Thatcher, the Prime Minister, because of her concern that she would be seen to be "admitting failure" in the battle against inflation.

Senior Whitehall insiders said yesterday that the plan - drawn up by Mr Lawson and a handful of Treasury officials - was for a central bank with similar authority to that of the US Federal Reserve rather than that of the more independent West German Bundesbank.

The Bank would have been directed by a board of trustees, with the Governor appointed, as now, by the Prime Minister and the board subject to the ultimate authority of Parliament.

It would have been handed control of interest rate policy, but the Treasury would have retained the final say on movements in the exchange rate once Britain had become a full member of the European Monetary System.

Details of the plans emerged as Conservative MPs delivered a mixed reaction to Mr Lawson's revelation. Those like the former Chancellor who favour an early move to take sterling into the EMS said that the idea should be looked at again.

Supporters of freely-floating exchange rates, however, said that such a move would undermine the authority of the House of Commons and this new independent central bank by effectively transferring control of monetary policy to the Bundesbank as the strongest central bank in the EMS.

Labour MPs are expected to press the Government for further details when they debate the European Commission's plans for European economic and monetary union later today. Yesterday, however, Downing Street would say only that it was "surprised" that Mr Lawson had revealed the plan's existance.

Mr John Major, the new Chancellor, will use the debate to set out in detail the Treasury's proposals for a system of "competing currencies" as an alternative to the suggestion of a single European currency proposed by the Commission.

It is understood that Mr Lawson's central bank proposals raised a number of political and technical dilemmas. They ranged from the implications of such a change for parliamentary sovereignty and management of the exchange rate to that for the supervision of the banking system.

The insiders, however, said that all the problems were soluble with further study. The key reason for Mrs Thatcher's decision to shelve it was her concern that political opponents would to accuse her of "throwing in the towel" on inflation - the central objective of her economic policy since 1979.

When Mr Lawson presented his plan last year it was already clear that the inflation rate was on a rising trend, a factor which intensified the Prime Minister's anxiety about the political reaction.

Britain's constitutional system - providing for the absolute sovereignty of Parliament - meant that the Bank could not be given the same degree of independence as the Bundesbank.

The US Federal Reserve provided a better model because it was accountable to Congress. It was also pointed out that the US Treasury, unlike the West German finance ministry, owns the country's foreign exchange reserves, giving it a direct role in exchange rate management.

Sinister force spirits away pride of Spanish treasure

By Peter Bruce in Madrid

A SINISTER force stalks the dark passageways and locked rooms of the Palacio Real in Madrid, the sprawling mid-18th century castle built by Philip V, Spain's first Bourbon King.

Someone is stealing the palace's treasure. Three masterpieces disappeared in August, another was found to be missing last month. A dogged investigator accuses high officials in the palace of blurring unpleasant truths.

The palace, overlooking the Manzanares river, contains nearly a thousand rooms. Most have been closed for a year for renovation, and public access is limited to a few rooms with spectacular exhibits.

King Juan Carlos decided not to live there and only uses it for state functions. With its sombre atmosphere, it is the perfect setting for intrigue.

On Monday August 14, when the two custodians of the palace's paintings were making their rounds of the 10 closed picture rooms, they noticed a tiny Velazquez missing. Subsequent investigation revealed that two more pictures had vanished – another attributed to Velazquez and a portrait by a lesser known Madrid painter of the 17th century, Juan Carreno de Miranda. The three are worth Pta275m ($2.35m).

One of the Velazquez works is particularly important. It is a 1630s painting of the right hand of Fernando Valdes, the Archbishop of Granada, holding a parchment on which the artist painted one of his few known authentic signatures.

The other painting "The Head of a Woman," though attributed by some to Velazquez, is thought by others to be a copy of a painting destroyed in the fire which burned down the original palace in 1734.

Security has been tightened by changing locks on all the rooms containing paintings and allowing staff in only with guards. Just over a week ago, however, someone called the EL Pais newspaper with the message: "They have stolen another picture from the paintings hall at the Palacio Real. It is the 'San Carlos Borromeo' by Francisco Bayeu, Goya's brother-in-law. It must have been Monday, but they are trying to hide the fact. It is my moral duty to report this because not only are we dealing with treasure that belongs to all Spaniards but the very safety of King Juan Carlos, who works there during the week." Click.

The mystery is not really who made the call. The mystery is which Monday.

At the palace, a spokesman insisted yesterday that the Bayeu, worth about Pta10m ($85,000), had been stolen with the other three.

"Given the circumstances," he said, referring to the security measures, "we are convinced that this painting (the Bayeu) was stolen at the same time and by the same person or people who stole the two Velazquez and the Carreno de Miranda."

The police think the anonymous caller meant Monday, October 16. Rodriguez Callejo, the man in charge of the case, is certain that that is when the Bayeu was stolen. He is less than enthusiastic about the co-operation he is getting from the palace. "They don't want to recognise what has happened," he says, accusing top officials of *hermetismo* – closing up.

If the police are right, the security measures have failed and someone with access to the new keys, someone *familiar*, is getting into the locked rooms under their noses.

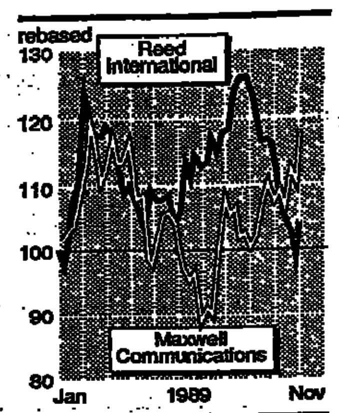
It is tantamount to saying palace security can neither guarantee the safety of its treasure nor that of the King

The police say they have some suspects but will not be specific. A palace insider, they hint, is probably doing the bidding of professional art thieves who at some stage will try to sell the paintings.

THE LEX COLUMN

Publishing Reed's attraction

Reed International's share price in recent months says little for the market's ability to take the long view. Since July of last year the shares have underperformed the market by 27 per cent. Meanwhile, the company has done just what it promised: got out of heavy manufacturing and turned itself into a pure publisher. The dilution involved was supposed to result in two years of flat earnings. Last year's earnings were in fact up 5 per cent; in the year to next March they should be up by twice as much, which would compare handsomely with the corporate average.



The market has meanwhile put Reed down as a victim of the squeeze on UK consumer spending. This deserves consideration, since nearly a third of Reed's business is with the UK consumer. But the most vulnerable part of it, consumer advertising, accounts only for some 12 per cent of group turnover. Offsetting that – as intended – are less sensitive businesses like legal and educational publishing. Meanwhile Reed has only £250m of debt, and proposes to reduce its dividend cover in recognition of its stronger cash flow as publisher.

Yesterday's figures – interim earnings down by 6 per cent – represent the low point of the transition from manufacturing. Full year pre-tax profits should be up by over 10 per cent to £300m, which would put the shares at 397p on a multiple of 10 and a prospective yield of some 4.7 per cent. Perhaps the best argument for a recovery lies in the curious fact that Reed has performed worse this year than Maxwell Communications. Mr Maxwell seems to have demonstrated that there is an appetite for international publishing stocks among US investors used to fancier multiples. Once it has its ADR listing, Reed might with luck follow his example.

Wall Street

The US economy continues to send out confusing signals. Third quarter US corporate profits have generally been disappointing, which suggests that the economy has been growing more slowly than expected. Yet the first readings of US economic activity in the final quarter of 1989 indicate that recessionary fears may be overdone and that the recent slowdown in the economy is moderating. It is premature to talk again of a soft take-off but it is also less likely that the Fed will be panicked into any dramatic monetary easing.

Yesterday's National Association of Purchasing Managers' index for October continues to paint a picture of an economy which is contracting. But the index is higher than it was a couple of months ago, which could be taken to mean that the worst of the slowdown is over. Meanwhile, the Fed's Beige book indicates no dramatic deterioration in economic conditions.

Tomorrow's employment figures will give a better feel for the current health of the US economy, and the Fed may well delay any further easing until after the the next FOMC meeting, the week after next. Short-term interest rates have already fallen by close to 200 basis points since the US economy started slowing, while the dollar has weakened against the DM. The need for further monetary stimulus may be less pressing than Wall Street suspects.

Swaps

The sweeping nature of the High Court decision on swaps yesterday caused consternation, and rightly so. In pure local government terms the ruling hurts prudent as well as spendthrift councils; it also has the bizarre effect of benefitting the chief culprit, Hammersmith and Fulham. And the implication of the decision – that all interest rate management exercises by local councils are illegal – is very bad news for poll tax payers.

Take a council which was sensible enough to swap into fixed rate borrowing in 1988. It was no more "betting on the rates", to quote a phrase used in court, than was the wise man who opted for a fixed mortgage rate at the same period. Indeed, to concentrate its debt in floating rate instruments would be a far greater gamble. But that council will now find its good judgement punished, being forced to unwind those swaps and pay 15 per cent plus interest rates. In future, local councils will be faced with uncertainty about their interest costs throughout the financial year and residents will face a potential jump in the poll tax with each base rate rise.

The banks, which are likely to appeal, have been severely punished for Hammersmith and Fulham's indiscretions. They face immediate costs of £300m to £400m and the prospect that 18 years of interest rate hedging deals will need to be unwound. And there were already signs yesterday that the decision would have a knock-on effect in the gilt market, where many of these deals are hedged. Since the whole process was begun by the Department of the Environment, neither the reputation of the Government nor the City will be enhanced. For markets in derivatives such as swaps, the publicity will only reinforce the notion that such instruments are designed purely for speculation, whereas they do serve a genuine hedging purpose.

US paper

The hostile $3.3bn takeover bid for Great Northern Nekoosa is interesting on a couple of counts. On a general level, it proves once again that predictions of the demise of US takeover activity are premature. The Boesky scandal, the 1987 stock market crash, and most recently the aborted UAL deal, have all been cited as reasons why US corporate deal-making was no longer going to underpin Wall Street. Each time, after a brief respite, takeover activity has bounced back.

Georgia-Pacific is not a corporate raider. It is a big paper company wanting to buy one of its competitors at the top of the cycle. The fact that it is going to have to pay more than 13 times next year's earnings if it wants to win is surely a bullish signal for the valuations of other highly cyclical US stocks. The other interesting point about this move is that it is said to be the first hostile battle between two well known names in the US paper industry. It could mark the beginning of a consolidation of the US paper industry, similar to what has already happened in Europe.

Mexican reserves rise boosts confidence

By Richard Johns in Mexico City

MEXICO'S foreign exchange reserves have risen $1.2bn in the past three months to $7.234bn, while the return of capital flight this year has reached $3bn.

These figures were announced here yesterday by President Carlos Salinas de Gortari in his first annual *informe*, or state of the union message.

It is traditionally one of the three occasions in the year on which Mexican reserves are made public.

But yesterday's figures for the end of Ocotober were clearly designed to underline that since taking office last December President Salinas has begun to restore confidence in the economy, especially in the light of the July agreement with the commercial banks on reducing $53bn of debt.

"The renegotiation of the debt does not guarantee the solution of our problems but without the renegotiations it would be impossible" he declared in a two hour speech greeted with frequent rounds of sometimes prolonged applause.

Mr Salinas's address proceeded in marked contrast to the stormy reception given last year to the farewell report of his predecessor, Mr Miguel de la Madrid, when left wing deputies, members of the now defunct centre left coalition National Democratic Front, stormed out of the meeting and those of the conservative National Action Party (PAN) vociferously protested over Mr Salinas's flawed and hotly disputed election to the presidency.

Mr Felix Salgardo, the deputy of the Democratic Party of the Revolution (PRD), stood up yesterday and interrupted the meeting when Mr Salinas concluded the passage in his speech about state elections held this year.

The President focused on the accord on changes to electoral rules agreed a fortnight ago by the ruling Institutional Revolutionary Party (PRI) and the PAN which together have a two thirds majority in the 500 member chamber of deputies needed for constitutional amendments.

The PRD decided not to boycott this *informe* but threatened a walk out if Mr Salinas said anything totally untrue.

However its leader Mr Cuauhtemoc Cardenas was absent in Washington.

Only the Popular Socialist Party with 11 members in the parliament refused to attend the *informe*.

●During his first state of the nation address, President Gortari pledged to continue his programme of reform and modernisation but warned the opposition that blocking progress could cost them support, Reuter adds.

A happy Mrs Benazir Bhutto yesterday after surviving a vote of no confidence which could have toppled her government

Bhutto survives vote of no confidence

By David Housego in Islamabad

MS BENAZIR Bhutto, Pakistan's Prime Minister, yesterday survived a vote of no confidence in her government but saw her majority in the National Assembly much reduced.

The Opposition Islamic Democratic Alliance gathered 107 votes, or 12 short of a simple majority. In much contested figures, Ms Bhutto's People's Party claimed its strength on the floor of the House was 127, or well down on the 138 votes that the Prime Minister won in a vote of confidence late last year.

The closeness of the vote, caused mainly by the decision of the Karachi-based Mohajir Quami Movement (MQM), which represents migrants from India, to abandon their alliance with Ms Bhutto, points to the growing vulnerability of her government. At the same time the tactics of both Government and Opposition in using bribery, intimidation and force to get Deputies to switch sides is seen has having put Pakistan's fragile democratic institutions at risk.

Mr Mustafa Jatoi, the Opposition's leader in Parliament, last night claimed that the slide in Ms Bhutto's majority represented a "major victory" and said that it would remain the Opposition's objective "to shake the foundations of a corrupt, incompetent and inept government."

He declared that Ms Bhutto's administration "cannot survive for very long".

The Alliance seems likely to seek a special session of Parliament next month as part of its pressure on the Government - which would give them the opportunity of seeking a further vote of no confidence.

Reflecting the distrust on both sides, Mr Jatoi alleged yesterday that 22 Deputies had been confined in the Prime Minister's chambers in the House while votes were being counted. He claimed that if this had not been done the result would have been different.

For the Prime Minister, the defeat of the motion provides a respite after what has been the greatest challenge so far to her regime. She disclosed the immense strains it had put on her administration when she warned in her speech that the Opposition's use of the no-confidence weapon is "no joke. It shakes the entire nation.

"It also gives rise to fears about our democratic institutions and the implications for the integrity and unity of Pakistan."

In the wake of the vote, Ms Bhutto implied she was planning changes of policies and people to meet the criticisms to which she has been subjected. She said she had intended to reshuffle her Cabinet and review strategy. But as yet there is no real evidence she has anything more than cosmetic changes in mind to diminish her growing isolation.

Her speech to the National Assembly in advance of the vote, one of the few she has made in the Parliament, had little feel of reconciliation about it. In its attacks on the Opposition, it reflected more the shrill tone of a leader who felt herself hemmed in by enemies and was preparing a fresh offensive to divide her opponents.

With Ms Bhutto and the opposition thus apparently on a collision course, the risk must be of an increasing polarisation in Pakistan politics and of growing strains on the country's democratic institutions. Mindful of the danger of military intervention, Ms Bhutto appealed to her opponents yesterday to "think coolly and calmly of the future we want."

US attacks Ortega for calling off ceasefire

By Tim Coone in San Jose and Lionel Barber in Washington

PRESIDENT Daniel Ortega of Nicaragua yesterday formally ended a fragile 19-month ceasefire against the US-backed Contras, dispelling last-minute hopes that the decision might be reversed or postponed.

In making the announcement, Mr Ortega blamed US President George Bush, saying that in giving logistical support to the rebels the United States is supporting terrorist actions inside Nicaragua.

The White House condemned the decision as "deplorable", but rejected suggestions that it would lead to a renewal of US military aid to the rebels.

Mr Marlin Fitzwater, the White House spokesman, said Mr Ortega's move seemed aimed at undercutting plans for next February's Nicaraguan elections. President Bush was talking by telephone with regional leaders to get the ceasefire back on track, he said.

The relatively moderate US response reflects the Bush Administration's desire to take the moral high ground by clearly supporting next year's elections.

President Ortega first announced his government's intention to lift the ceasefire during last weekend's hemispheric summit in San Jose, Costa Rica. He added though that he would reconsider the decision if the US Congress rechannelled logistical support it is at present giving the Contras to instead assisting the Contras to demobilise.

His threat drew widespread condemnation in Congress. The US Senate voted 95-0 decrying the move, while even liberal opponents of the Reagan Administration's policy of giving military aid to the Contras expressed dismay.

The five Central American presidents agreed last August on a demobilisation timetable for the Contras which must be complete by December 5. The agreement was made in return for a series of democratic reforms in Nicaragua which cleared the way for the full participation of the opposition in next February's general elections.

A wave of attacks and assassinations by Contra units which infiltrated Nicaragua in recent weeks has precipitated the ending of the ceasefire, although the government gave indications as long as a month ago that a new military offensive was in the offing if the Contras do not adhere to the Central American peace plan.

The ceasefire had been a unilateral measure decided by the government, which suspended offensive military operations to aid the peace process. But apart from an initial three-month period beginning in April 1988, the Contras never accepted the ceasefire.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	21	70	Dubrovnik	S	20	68	Malta	F	22	72	Rhodes	S	23	73
Algiers	S	25	77	Edinburgh	F	11	52	Manchester	F	13	55	Rio de J'o	R	28	82
Amsterdam	F	13	55	Faro	S	23	73	Manila	F	30	86	Rome	F	20	68
Athens	S	22	72	Florence	C	17	63	Melbourne	C	16	61	Salzburg	S	17	63
Bahrain	S	29	84	Frankfurt	R	13	55	Mexico City	F	23	73	San Francisco	F	10	50
Bangkok	F	33	91	Funchal	S	22	72	Miami	S	21	70	Seoul	S	16	61
Barcelona	S	22	72	Geneva	S	16	61	Milan	C	12	54	Singapore	F	32	90
Beirut	-	-	-	Gibraltar	F	21	70	Montreal	F	8	46	Stockholm	C	7	45
Belfast	F	10	50	Glasgow	F	11	52	Moscow	Fg	4	39	Strasbourg	C	17	63
Belgrade	C	19	66	Guernsey	C	14	57	Munich	S	17	63	Sydney	F	20	68
Berlin	C	13	55	Helsinki	C	4	39	Nairobi	-	-	-	Taipei	F	26	79
Biarritz	Fg	13	55	H. Kong	C	24	75	Naples	F	21	70	Tangier	S	25	77
Bombay	-	-	-	Innsbruck	F	15	59	Nassau	-	-	-	Tel Aviv	S	25	77
Bordeaux	S	20	68	Inverness	F	9	48	New Delhi	S	29	84	Tenerife	S	25	77
Brussels	C	13	55	Islamabad	C	24	75	New York	F	14	57	Tokyo	S	22	72
Budapest	C	16	61	Istanbul	S	17	63	Nice	C	16	61	Toronto	C	5	41
B. Aires	F	19	66	Jakarta	R	32	90	Nicosia	S	23	73	Tunis	F	24	75
Cairo	F	25	77	Jersey	C	14	57	Oporto	F	19	66	Valencia	S	22	72
Cape Town	S	24	75	Jo'burg	F	29	84	Oslo	C	8	46	Venice	-	-	-
Caracas	C	29	84	Lima	F	20	68	Paris	R	14	57	Vienna	F	17	63
Casablanca	S	23	73	Lisbon	S	21	70	Peking	S	16	61	Warsaw	C	10	50
Chicago	F	0	32	London	F	14	57	Prague	F	14	57	Washington	F	11	52
Cologne	R	13	55	Los Angeles	F	11	52	Reykjavik	R	5	41	Zurich	F	14	57
Copenhagen	F	13	55	Luxembourg	R	12	54								
Corfu	S	24	75	Madrid	S	20	68								
Dallas	-	-	-	Majorca	S	22	72								
Dublin	F	13	55	Malaga	S	22	72								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Norwegian likely for UN refugee post

By Michael Littlejohns, UN Correspondent, in New York

MR Thorvald Stoltenberg, a former Norwegian foreign and defence minister, is expected to become the United Natiions High Commissioner for Refugees in succession to Mr Jean-Pierre Hocké of Switzerland, whose resignation took effect yesterday in a row over his use of special funds.

A spokesman said that the UN Secretary-General Javier Perez de Cuellar is consulting member states about the appointment, which will be made by the General Assembly on his recommendation.

Asked about reports that Mr Stoltenberg was the likely choice, the spokesman said: "I would not deny that what you are saying is correct."

The Nordic nations as a group donated about $84m to the High Commissioner's office this year, the second largest contribution after the $124m of the US.

Mr Hocké announced his resignation last week following charges that he tapped an education fund established by Denmark and Sweden to pay for first-class air fares for himself and his wife and for entertainment.

Mr Perez de Cuellar set up a special audit office, and an investigation of Mr Hocké's conduct is being directed by Mr Patricio Ruedas, a former Under Secretary-General.

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Shaking off the lethargy

Last month's sharp fall on Wall Street has produced a political reaction which — though it is less panicked — has been reminiscent of the demands for market reform which followed Black Monday in 1987. This is partly because a great deal of planned legislation still sits in the files of several committees and sub-committees, only partially considered. While the market was rising steadily last year and for most of this, there was little incentive to revive proposed market reform. Janet Bush looks at how October 13 changed this view. Page 24

Time of sands has come

Production of all mineral sands has been running hard to keep up with demand in recent years. Prices have risen to record levels and this has stimulated an industry-wide expansion, particularly in Australia, already the biggest producer of mineral sands. Against this background, Kenmare Resources, the USM-quoted, Dublin-based mining company, is to go ahead with a $100m mineral sands project in Mozambique. Kenneth Gooding reports. Page 30

Filling the gap

The hole left in West German industry by the death at the weekend of Mr Rudolf von Bennigsen-Foerder, chairman of the Veba conglomerate (left), can best be gauged by this week's many pages of large obituary notices in the big German newspapers. While Veba itself is not commenting on the succession, David Marsh looks at how the company will fare without a man regarded by many as one of West Germany's canniest capitalists. Page 20

Clouds in the southern sky

It may be springtime in Australia, but it is not all blue skies in the stock market. Perhaps the most obvious sign of trouble is the battering taken by the local business heroes — the entrepreneurs' index has plunged to an ignominious 5,262 from over 10,000 in the glorious days of September 1987. While the difficulties facing Mr Alan Bond, Mr Christopher Skase and others may be important for sentiment, however, their influence on the market can be exaggerated, writes Chris Sherwell. Page 42

Reed profits dip

Acquisitions and disposals associated with Reed International's move out of manufacturing to become a pure publishing group contributed to a dip in the company's interim pre-tax profits. But, aided by a general upgrading of analysts' full-year forecasts and a 15 per cent interim dividend increase to 4.6p a share, the shares gained 15p to 397p. Page 26

Chief price changes yesterday

FRANKFURT (DM)			**Sea Containers**	62⅞	+ ½
Rises			**Falls**		
Degussa	481	+ 9	Dixon Ect.	5⅞	− ½
Hochtief	840.5	+ 7.5	Georgia Pacific	50⅞	− ½
Porsche	796	+ 8	**TOKYO (Yen)**		
Falls			**Rises**		
Horten	296	− 6	Jeol	1470	+ 120
Linde	722.5	− 11.5	Nippon Tungsten		
Zanders	310	− 10	Teikoku Hume	1290	+ 130
NEW YORK ($)			Daiichi	2100	+ 180
Rises			Take Chem.	1130	+ 110
Campbell Soup	47¼	+ 3¼	**Falls**		
Georgia Gulf	50⅛	+ 1⅞	Best Denki	2100	− 130
Mfr Bancorp	70	+ 8¾	Yo Data	1950	− 200

New York prices at 12.30.

LONDON (Pence)			Scantronic	126	+ 8
Rises			Sears	113	+ 5½
BICC	455	+ 10	Sun Life	1168	+ 23
Cable & Wire	490	+ 10	TSB	105	+ 1
Carlton Comms	778	+ 32	Unitech	387	+ 6
Enterprise Oil	600	+ 9	VB Intl.	438	+ 10
Glaxo	1413	+ 23	Warburg (S.G.)	435	+ 17
Jaguar	970	+ 10	Wellcome	666	+ 18
LASMO	519	+ 9	**Falls**		
Mecca Leis.	157	+ 6	Upont Kellwear	415	− 20
Moran	139	+ 10	HTV	187	− 6
Redland	515	+ 15			
Reed Int.	397	+ 15			

Doubts that tarnish the golden share

Charles Leadbeater assesses the significance of the Government's waiver of its special share in Jaguar

When Sealink, the former British Rail ferry subsidiary, was privatised in July 1984 most people must have believed the company had passed entirely beyond the Government's control.

That impression will probably have been confirmed by the hostile £1.02bn ($1.63bn) bid launched by Stena, the Swedish ferry company, and Tiphook, the UK container rental company.

Yet buried within the terms of the £66m sale was a special government shareholding which places far-reaching restrictions on any purchaser's freedom.

In the aftermath of the Falklands War, when merchant ships were commandeered to supplement the naval task-force, the Government's special share in Sealink restricts the disposal of the company or more than 25 per cent of its fleet, ensures any purchaser would have to make the fleet available in times of emergency and restricts the voluntary winding up of the company.

The Sealink special share may take on added significance following Mr Nicholas Ridley's decision to open the way for a bidding battle between Ford and General Motors for control of Jaguar, by waiving his power to exercise the Government's golden share in the company.

The Jaguar decision has rekindled doubts about golden shares raised after the Government waived its right to excercise its share in Britoil, during its takeover by British Petroleum.

Has Mr Ridley's move thrown into question the Government's commitment to retain its golden shares in other privatised companies, or is Jaguar a special case?

The golden shares have been used to entrench a plethora of provisions within privatised companies' articles of association, which can only be changed with the approval of the special shareholder, usually the relevant secretary of state.

The removal, expiry or waiver of a golden share allows the articles to be changed, often by a 75 per cent vote of shareholders.

There are two types of golden share.

First, the Government retains a golden share of indefinite life in Cable and Wireless, Sealink, British Telecom, British Aerospace, shipbuilders VSEL, British Gas, aero engine manufacturer Rolls Royce and BAA, formerly the British Airports Authority.

The Government says that these are industries where a change of ownership or disposal of assets may affect the national interest or security of supply.

The shares limit foreign or individual stakes to 15 per cent. Most believe the Government is unlikely to relinquish these shares, although ADT, the electronics security group, which has built a 5.56 per cent stake in BAA may test its resolve.

Second, there are shares which have a life limited to five years. These have been used for companies whose future is not a matter of national interest, but which need protection against takeover as they make the transition to the commericial world.

At Amersham International, the special share died a natural death last March and at Enterprise Oil it expired in December, without controversy.

Yet the Jaguar case suggests that the remaining temporary shares may become more controversial, with companies planning takeovers testing the Government's resolve as the shares reach their expiry dates.

The opportunities are some way off. A temporary share in British Steel is due to expire in December 1993. The water and electricity privatisations will shower the stock market with them.

The Government will retain a golden share in the 10 privatised water authorities, with a life of five years to limit a single shareholding to no more than 15 per cent. For the following five years the limit can only be raised with the backing of 75 per cent of shareholders. The share in the Welsh authority will be permanent.

The electricity industry's 12 area distribution boards will be governed by the same arrangements as the water companies. The Government will retain a permanent share in the two generating companies, National Power and Power Gen, as well as the company which will control the national grid.

Mr Ridley's decision on Jaguar has fuelled simmering doubts about the consistency of the Government's approach on a series of counts.

The definition of the national interest has sometimes seemed inconsistent. The special share in BAA ensures British control of leading airports, but there was no golden share in the privatisation of Associated British Ports, the largest port operator. Sealink has a golden share, but British Airways does not.

The temporary share, with its arbitrary time limit, seems to be the product of an uneasy political compromise which is vulnerable to exposure.

At first sight, the shares have a Thatcherite purpose. By preventing large investors building up stakes, they have helped protect the individual shareownership campaign. Yet by retaining the state's interest they smack of a paternalistic Toryism which is clearly an anathema to free-marketeers, such as Mr Ridley.

The Jaguar decision echoes the tensions common between ministers and managers when corporations are being prepared for privatisation.

The shares protect management in the early years of privatisation as they make their companies more commercial. But, as Mr Ridley's decision implies, they risk entrenching incumbent management at the expense of shareholders.

The difficulty in the Jaguar case is that the shareholders to be given autonomy are not pensioners in Coventry, but arbitrageurs in New York. So Mr Ridley is open to the accusation of handing the Jaguar chicken to the waiting foxes.

The temporary share is only likely to become an issue when a contested takeover is launched, which means that whatever the Government does it will be open to the criticism of favouring one side by lifting the share or another by keeping it.

An obvious alternative to the golden share would be to use provisions similar to those in the water industry privatisation, which mean that any bid for a water company worth more than £30m will be referred automatically to the Monopolies and Mergers Commission.

While this should deter bids, there is a problem for the Government. The MMC would mainly concentrate on competition issues rather than political considerations, such as the level of foreign ownership, which matter to the Government.

Mr Ridley, as Industry Secretary, holds most of the shares, but Whitehall officials insisted the Jaguar decision did not herald a change of policy.

Mr Richard Gledhill, at Price Waterhouse's privatisation department, said: "Anyone eyeing up British Steel is bound to treat this as good news, but there is no evidence that this is a change of policy. The Government is likely to respond case by case."

Those who thought privatisation simplified government relations with previously state-owned companies better think again.

Nicholas Ridley: open to the accusation of handing the Jaguar chicken to the waiting foxes.

MMC inquiry for Michelin

By John Griffiths in London

THE Monopolies and Mergers Commission is to investigate Michelin Tyre's £140m ($210m) takeover of National Tyre Services, a 420-outlet replacement tyre distribution chain.

Mr Nicholas Ridley, the Trade and Industry Secretary, has ordered the referral to establish whether there could be adverse effects for consumers as a result of the much-expanded presence the takeover has given Michelin in the UK's nearly £1bn-a-year replacement tyre market.

Michelin Tyre, the wholly-owned UK subsidiary of the French – and world's largest – tyre maker, also owns the 540-outlet Associated Tyre Services chain.

The two networks provide Michelin with a combined presence in the UK replacement tyre market some four times greater than any of its rival tyre makers. The next biggest chain, Goodyear Tire and Rubber's Tyre Services, has around 250 outlets.

The retail tyre sector is dominated by tyre manufacturer-owned retailing chains, except for Mr Tom Farmer's Kwik-Fit Euro organisation – although Continental, the West German tyre maker, recently bought a 13.13 per cent stake in Kwik-Fit.

The MMC must report its findings within three months. Should it be decided that competition is prejudiced by Michelin's ownership of the two chains, Mr Ridley can order Michelin Tyre to put NTS back on the market.

Michelin bought the company from BTR, the British industrial conglomerate, in June.

At the time, Michelin claimed that even the two chains combined would account for less than 20 per cent of the broad aftermarket for tyres and other vehicle spares – which NTS and most of the other chains also sell.

However, the Office of Fair Trading, which recommended the MMC inquiry, is believed to have been encouraged to act by a belief that the acquisition gives Michelin a replacement tyre market share of well over the 25 per cent threshold which can trigger a referral. Michelin, like all the other major tyre companies, refuses to provide any details of its, or anyone else's, market shares.

Michelin said last night that the company would co-operate fully with the MMC investigation but that it "much regrets the continuing uncertainty created both within the companies and the market-place."

De Savary plans buy-out of Highland

By Nikki Tait in London

DESPITE recent problems over leveraged buy-out bids, Mr Peter de Savary, the flamboyant yachtsman entrepreneur, yesterday announced plans to take Highland Participants, his remaining quoted vehicle, into the private sector through a £72.6m cash offer for the company.

Mr de Savary – who is probably best known for his attempts to win the America's Cup yachting trophy, but more recently hit the headlines over his role in the Blue Arrow affair – sold out of his other quoted vehicle, the LandLeisure group, in late-1988.

The offer for Highland is coming from Cornwall Trust, a newly-formed private company owned entirely by Mr de Savary.

Funding for the 200p-a-share offer – which also carries a loan note alternative – is being provided by Standard Chartered Bank. Yesterday, Highland shares, which are quoted on the Unlisted Securities Market, jumped 37p to 192p.

The deal is, however, conditional on a separate management buy-out of the Isle of Grain development where Highland had planned to build a container port facility, and of certain small port businesses. A new company, called Maritime Transport Services, has been formed to acquire the business assets relating to the development, plus an underlease covering 184 acres of the 214-acre, Kent-based site.

MTS, which is headed by Mr Geoffrey Parker, a Highland director, says it will pay Highland around £80m at completion. Of this, some £25m goes to repay group borrowings, leaving Highland with a net cash consideration of £35m. The MTS buy-out team has secured total funding of £155m for the future development of the site, comprising a £120m loan facility arranged by County NatWest and the remainder in mezzanine and equity financing.

Fifteen months ago, the company tapped shareholders for £45m in a rights issue at 230p a share. This was to fund the purchase of the leasehold interest on the Isle of Grain site and the first phase of the development. At the time, Mr de Savary said the project could contribute up to £20m to Highland's profits by 1993.

Asked why shareholders were only getting back 200p now, Mr de Savary commented: "That is the market." He pointed out that he committed £3m of his own money at that price, although his stake in Highland was significantly diluted by the issue.

Yesterday's announcement also suggested that Highland considered various acquisitions to provide an income stream to complement the development projects, but failed to find anything at a suitable price. It said that in the wake of the decision to sell the Isle of Grain development, Mr de Savary offered to inject his private interests into Highland, but this plan was eventually abandoned.

Sea Containers lines up buyers for assets

By Andrew Hill in London

SEA CONTAINERS has buyers lined up for all the assets it intends to sell as a defence against a hostile $1.02bn bid from Stena and Tiphook.

Mr James Sherwood, president of the group, which owns Sealink British Ferries, yesterday confirmed that the $1.1bn estimate of sale proceeds contained in Tuesday's statement was based on prices negotiated with potential buyers.

"Our plan is that every week in the coming weeks, as each contract is signed, we will be announcing the buyer and probably the price," he said.

He added that the group had already agreed a price of $2,000 per 20 ft equivalent unit (TEU) for its fleet of 200,000 TEU standard dry cargo containers. Mr Sherwood said the buyer would be one of the major international container groups.

The top three are Itel, Genstar and TransAmerica.

Sea Containers plans to spend $500m including expenses to buy back more than half its equity at $70 a share.

The balance of the $820m cash surplus generated by disposals will be held back to fight off any increased offer from Stena, a private Swedish ferry company, and Tiphook, a UK container rental group.

"We'll keep the $120m difference in our pocket in case those jokers make another move," said Mr Sherwood.

Sea Containers shares continued to trade at around the $63 hostile offer price in New York yesterday as investors awaited a formal filing to the Securities and Exchange Commission, which would give more detail of the ferry and container group's financial projections.

Meanwhile, Tiphook and Stena attacked the alternative plan in a letter to Sea Containers' board.

"Your 'alternative' appears to be nothing more than a highly conditional device designed to entrench management, confuse your shareholders and prevent them from accepting our superior cash offer," said the letter.

The letter also appeared to threaten possible court action over the "legal, regulatory, financial and fairness issues" raised by the plan.

Mr Sherwood stressed yesterday that all Sea Containers shareholders would be able to take up the $70 a share offer.

Defence strategy, page 25

Campbell Soup chief resigns

By Roderick Oram in New York

MR GORDON McGovern resigned as chief executive of Campbell Soup yesterday, raising a flurry of speculation about the course of one of the US's oldest and most powerful food companies.

The board said that while it was looking for a new chief executive the company would be run by Mr Herbert Baum and Mr Edwin Harper, the head of US operations and chief financial officer respectively. Both were candidates for the top job, the board said.

Wall Street wondered if Mr McGovern, chief executive for nine years, had run foul of the Dorrance family, which controls 58 per cent of Campbell Soup. The company's share price has swung wildly this year on rumours that the family wanted to sell. It rose $3¼ to $47 by yesterday afternoon.

The rumours escalated after the death in April of Mr John Dorrance, son of the founder. Aged 70, a director and a retired chairman, he exercised substantial influence over the company right up to his death. Personally controlling some 32 per cent of the stock, he also kept the lid on family dissension over whether to keep or sell the company.

Mr McGovern, who said he was leaving for personal reasons, had repeatedly stated that he would retire when he reached 65 in the autumn of 1991. He reiterated the position in recent interviews to try to show he had a good working relationship with Mr Dorrance's heirs, who have become more active in the company's affairs.

Mr McGovern, the president, had been passed over for the chairmanship when Mr Dorrance retired several years ago.

Wärtsilä Marine to form basis of new company

By Enrique Tessieri in Helsinki

A NEW chapter in the history of Finland's shipbuilding industry began yesterday with an announcement by the Government that agreement had been reached to form a new shipbuilding company from the wreckage of Wärtsilä Marine.

The company, one of Europe's largest privately owned shipbuilding concerns, was declared bankrupt last month after a rescue package originally agreed in August foundered amid higher than expected loss projections.

According to the Government, the new company, which has yet to be named, would eventually be merged with Finland's two other shipyards, Rauma-Repola and Hollming.

Wärtsilä Marine has been hit by a raft of problems, including a dearth of new orders from the Soviet Union and labour shortages, but has also complained about subsidies at shipyards in EC countries.

Mr Ilkka Niemi, managing director of Finland's Export Guarantee Board (EGB), said: "The idea behind establishing a new shipbuilding company is to start afresh . . . The new company will be able to negotiate the price of ship orders. Another factor was outside parties who were trying to benefit economically from the situation by speculation."

Mr Ilkka Suominen, Minister of Trade and Industry, said: "It's for the new company to decide which [16] ship orders it wants to build. But I would assume that most of the orders, at least those at the shipyards, would be finished."

The new company will have a share capital of FM570m ($134m). This will comprise FM200m from Wärtsilä Corporation, which now owns 19 per cent of Wärtsilä Marine, FM100m from Union Bank of Finland (UBF), FM100m from the state and FM170m from "others," which include "parties involved with the ship orders," according to Mr Niemi.

Mr Suominen did not say how many of the 6,000-odd employees of the now-defunct shipbuilding company would be able to retain their jobs in the new company. According to Government sources the new shipbuilding company will secure jobs at the Turku shipyard for two years and one year at the Helsinki Hietaniemi shipyard.

In order for the new shipbuilding company to rid itself of any financial burdens left by Wärtsilä Marine, the parties involved in the original August financing package have redivided liability. It will work on a sliding-scale scheme which allows for a joint maximum liability of FM1.7bn. Wärtsilä's maximum liability is limited to FM705m, the state FM675m, Union Bank of Finland and Postipankki jointly FM240m, and state-owned Valmet FM70m.

Wärtsilä shares were suspended yesterday pending the announcement.

Surge lifts DSM 63% to exceed forecasts

By Our Financial Staff

DSM, the Dutch chemical group, lifted third-quarter net profits by 63.2 per cent, reflecting substantially lower extraordinary charges to account for its restructuring programme.

Net profit surged to Fl 235m ($113m) in the latest period from Fl 144m a year earlier. Earnings per share rose to Fl 6.70 from Fl 4.10.

Analysts said they would revise upwards their full-year profits forecasts for DSM after the higher than expected third-quarter profits. Expectations had ranged from Fl 5.20 to Fl 6.29 a share for the third quarter of 1989. DSM shares rose Fl 3.60 to Fl 118.40.

The group, which is 32 per cent state-owned, posted just Fl 8m of extraordinary charges in the latest third quarter, mainly to reflect one-time losses in connection with the disposal of some operations.

Last year, DSM recorded Fl 71m of extraordinary charges for the restructuring programme and other transactions.

But the general earnings growth last quarter was also fuelled by the company's ability to cut net financing spending by half to around Fl 15m. Substantially lower Dutch corporate tax rates helped the company keep its tax outlay flat, relative to earnings growth, the company added.

Sales, however, were little changed in the latest third quarter at Fl 2.46bn, compared with Fl 2.42bn a year earlier. Operating profit rose to Fl 307m from Fl 302m against market expectations that it would fall by about 6 per cent.

Analysts said this was an encouraging sign, since market prices in some of its key sectors have been falling, with demand slipping, putting pressure on chemical companies earnings.

ICI's larger-than-expected 12 per cent drop in pre-tax earnings, announced last week, had sparked investors' worries about the profitability of Dutch chemical companies as well. For the first nine months, DSM's operating profit was Fl 1.09bn against Fl 953m last year.

Veba treads with measured steps

David Marsh finds no change of course at the West German giant

The hole left in West German industry by the death of Mr Rudolf von Bennigsen-Foerder, chairman of the Veba conglomerate, can best be gauged by this week's many pages of large obituary notices in the big German newspapers.

Mr von Bennigsen, 63, died suddenly in Düsseldorf at the weekend after an attack of pneumonia. But he leaves his DM44bn ($23bn) turnover company in healthy shape to face the future.

Veba is not commenting on the succession. It says that, for the moment, the company's day-to-day activities will be in the hands of a "collegiate" group of top directors.

But it appears almost certain that the job of Mr von Bennigsen — who had headed the Veba group since 1971 — will be taken in due course by Mr Klaus Piltz, the finance director. He has been viewed for several years as the heir apparent.

Mr Piltz, a surprisingly youthful looking 54-year-old, has been Mr von Bennigsen's chief helpmate in preparing and carrying out a series of acquisitions over the past two years. These have confirmed the electricity, chemicals, oil and trading giant's name as one of West Germany's best-managed companies.

Mr von Bennigsen — a cautious Berlin-born aristocrat with an almost English penchant for understated humour — meanwhile stood almost undisputed among the country's canniest capitalists.

Although a member of the Christian Democratic Party, Mr von Bennigsen treated politicians with condescending irony. He once said that, although neither the Christian Democrats nor the Social Democrats understood anything about money, at least the Social Democrats were aware of it.

Rudolf von Bennigsen-Foerder: aristocrat

Mr von Bennigsen's biting whimsy will be missed at Veba. But, as for the business itself, "continuity is assured," says Mr Ernst von Randow, analyst at the Metzler bank in Frankfurt. "Piltz has been seen for years as the crown prince." He added that Mr von Bennigsen has tended to withdraw from the operational field, functioning more as a strategic overlord. "We need not fear that, with his death, there are going to be any dramatic developments."

Mr Peter Müller, an analyst at the Bayernhypo bank in Munich, takes a similar line. "The death is a painful loss. Von Bennigsen presided over the transformation of Veba from a state-owned company to an internationally-operating concern," he says.

But he adds: "If there is anything positive to say about this, it is that Piltz is well prepared to take over. He has helped model the group's strategy as von Bennigsen's right hand man."

In an interview at Veba's headquarters during the summer, Mr Piltz made clear his attachment to the company's long-term approach. After a big programme of building and refurbishing power stations over the past decade, Veba's overall goal is to lower further its earnings dependence on the energy sector — which now makes up less than half its results.

Veba functions increasingly as a holding company, leaving operational decisions at its subsidiaries in the hands of decentralised management. It has built up activities particularly in its chemicals and paper sector, first through the purchase in 1987 of chemicals business from the Feldmühle Nobel (FN) group, and then in May this year by taking a 46 per cent stake in the remaining FN concern.

Including the cost of the FN acquisition, Veba is planning roughly DM28bn in investment spending between 1989 and 1993, with much of the liquidity stemming from high depreciation on past power station construction. Mr Piltz reckons that Veba's investment amounted to about 150 per cent of depreciation allowances over the past five years, a percentage which will fall to 120 to 125 per cent in the next five years.

Mr Piltz points out that, even after the recent strengthening, Veba's chemicals operations are only one fifth of the size of the Big Three German chemical groups. He hints at further possible moves into high technology areas to complement activities at the main Hüls subsidiary.

Veba has also this year boosted its transport business by taking a 22.5 per cent stake in Schenker, the Bundesbahn's freight subsidiary. Mr Piltz sees the move as strengthening the company's competitive muscle in Europe's post-1992 single market.

Some analysts — especially in London — speculated that Veba's purchase of the FN stake this summer was a sign of a more aggressive approach to acquisitions.

Mr Piltz however denies that this was in any way a "hostile" takeover and says Veba is under "no pressure" to make an offer to minority shareholders and to consolidate the group.

Pointing out that Veba had its eye for five or six years on possibly acquiring FN — formerly part of the Flick industrial group — he says that Veba will be taking its time to examine whether any disposals are necessary. He declares: "We have not bought FN to break it up." Decisions on FN's future are likely to take "years rather than months," says Mr Piltz.

Mr von Bennigsen earned the nickname of the "Bismarck" of German industry — and his probable successor is likely to tread with the same measured steps.

Kvaerner ends Selmer-Sande merger talks

KVAERNER, the Norwegian engineering concern, has called off merger talks with Selmer-Sande Entrepenoer, a big construction firm in Norway, Reuter reports.

"Kvaerner has . . . been forced to break further negotiations, with the consequence that the planned merger will not be carried out," the company said.

The planned merger would have entailed Kvaerner taking two-thirds of Selmer's stock. The remaining third was acquired last year by Skanska, the Swedish construction concern.

"It was . . . not possible to agree with Skanska on how the activities should be organised in the future," Kvaerner said. The two companies had also disagreed on how to develop a planned property company together, it added.

Selmer-Sande Entrepenoer is a holding company responsible for 10 construction concerns. The company employs 4,700 people.

Ratners raises price for Weisfield's to $62m

By Maggie Urry in London

RATNERS, known for cutting prices in its jewellery shops, has had to put up the price it is paying for Weisfield's, a publicly-quoted US jewellery chain, from $55m to $62.1m. The purchase will add 87 shops to Ratners' US business, giving it a total of 450 shops.

Mr Gerald Ratner, chairman and managing director, said the price still represented a good deal, and his company's earnings would be enhanced by the takeover in the first full year. The shares gained 2p yesterday to close at 260p.

Mr Ratner had announced an agreed deal with Weisfield's directors on Monday at a price of $50 a share. However, the Weisfield's directors, who control 51 per cent of the group's shares, had not then signed acceptances although they were expected to do so shortly.

However, that day a third party, thought to be Kays, a rival US jewellery retailer with about 470 shops, bought over 10 per cent of Weisfield's shares in the stock market, pushing the share price up to $53.

Weisfield's then received a bid from this third party at $55 a share. Ratners said it would make a higher offer and the two sides finally agreed at $57¼. Ratner's now has irrevocable acceptances from the holders of 51 per cent of the shares.

Mr Ratner said the controlling shareholders were leaving the business, planning to retire to play golf in Palm Springs.

He said that he was a bit disappointed by having to increase the price, but had felt the original price was "too good to be true." On a per store basis Ratners was buying Weisfield's for $714,000 a shop whereas it paid $1.2m a shop for Osterman's, another US jewellery retailer, last year.

The deal is due for completion on December 10, and by then Ratners will have concluded a preference share issue in the US, raising $150m.

Barkmans lifts Saab stake

BARKMANS, the Swedish investment company wholly owned by the financier Mr Sven-Olof Johansson, has increased its stake in Saab-Scania, the troubled automotive and aerospace group, to 14.5 per cent of Saab's equity and around 16.6 per cent of its voting rights, writes Robert Taylor in Stockholm.

During the last two weeks of October Mr Johansson, through Barkmans, bought an additional 600,000 "A" shares, taking his ownership to 9.8m shares. This consolidates his position as the second biggest shareholder after the Wallenberg family which owns 20 per cent of Saab's equity and 23 per cent of its voting rights.

Yesterday Mr Johansson denied a weekend rumour that he intended to sell his stake in Saab. "My position in Saab is not for sale," he told a Swedish business weekly. At the same time, talks have re-opened between Saab and the Italian company Fiat on possible future joint co-operation.

Listing for Toyo Trust

TOYO Trust & Banking Company yesterday became the tenth Japanese bank to obtain a listing on the London Stock Exchange this year, writes David Barchard.

Toyo Trust, which has total employable funds of Y14,036bn ($100bn) is the 26th largest bank in the world and the fifth largest trust bank in Japan. The listing was sponsored by Barclays de Zoete Wedd, with Toyo Trust International, Nomura International, and S.G.Warburg Securities. Brokers to the introduction were de Zoete & Bevan.

Mr Mitsuo Imose, Toyo Trust's president, described his bank as a unique, comprehensive financial institution.

"We intend to list in Paris next year, and with our newly opened Frankfurt representative office, and a subsidiary scheduled to be established in Brussels in the near future, we are making steady progress in establishing our foothold in an integrated European Community," Mr Imose said.

Domestic demand boosts Komatsu

By Robert Thomson in Tokyo

KOMATSU, the Japanese construction machinery maker, yesterday announced a 31.6 per cent increase in pre-tax profit to Y16.87bn ($119m) for the first half to end-September as domestic demand for construction equipment remained strong, although exports rose only slightly during the period.

Total sales rose 11.1 per cent to Y292.3bn, with domestic sales up 15.7 per cent and foreign sales rising by 3.5 per cent. Foreign sales of construction equipment, the company's core product, fell by 2.8 per cent, although that was compensated for by a 13.2 per cent increase in domestic sales and significant increases in sales of industrial machinery and components.

The company expects total sales for the year of Y600bn, an increase of 5.9 per cent, and a pre-tax profit of Y35bn, a 22.7 per cent gain.

● Furukawa, the Japanese construction machinery group, is to acquire two construction machinery plants and a sales unit in France formerly belonging to Dresser Industries of the US, to produce hydraulically operated shovels in anticipation of the single EC market in 1992, Our Financial Staff writes.

The company last October bought a wheel-loader manufacturing plant in Heidelberg, West Germany, from Dresser. The cost of the French and German plants totals about Y40bn, Furukawa said.

Seoul acts on misleading audits

By Maggie Ford in Seoul

COMPANIES IN South Korea are to be refused the right to choose their own auditors to certify financial accounts in an effort to clean up misleading balance sheet reporting.

A bill is to be presented to the National Assembly shortly, following revelations by the Securities and Exchange Commission of numerous irregularities.

The bill is designed to enforce the neutrality of public accountants in advance of the opening of the stock market to foreign investors in 1992.

Officials also believe it will help ease negotiations between managements and unions, where arguments over the financial status of a company are common.

The Federation of Korean Trade Unions has demanded a change in the law to prevent fraudulent company statements being used in labour talks. South Korea has had many heated labour disputes in the past three years.

The bill will be welcomed by foreign securities firms, whose corporate analysis is restricted by the lack of adequate information.

The foreign companies believe they have been able to acquire accurate data on companies' financial positions only when a company has launched an instrument, such as a convertible bond, abroad.

The misleading reporting is well known, however. Most analysis of the South Korean economy is based on the much more reliable figures provided by the Government, especially the Bank of Korea, the central bank.

The SEC report noted a number of major problems in the corporate results of many firms. It singled out one business that reported a profit, when it actually recorded a loss, so that it could meet the requirements for listing on the stock exchange. The company was denied a listing.

Many companies deflated their profits in an effort to evade tax and avoid paying high wage increases. A total of 848 listed companies – many subsidiaries of major business groups – inflated their 1987 profits by as much as Won299bn ($446m), the SEC said.

Tracking down the status of a company is made more difficult in South Korea by the complex structure of big business groups, which may have up to 40 subsidiaries.

While perhaps a third are usually listed on the Stock Exchange, and must report their financial status, most of the subsidiaries are normally privately held, usually by family members with no disclosure requirement.

An elaborate system of cross-holdings between subsidiaries, backed up by cross-guarantees of bank borrowings, makes the system almost impenetrable to anyone outside the top echelons of the company.

Apart from tax evasion, critics say the system allows businessmen to accumulate wealth illegally, and hide their assets, both corporate and personal. The lack of transparency has led to major public complaints about the behaviour of big business, which is seen as corrupt and dishonest.

The system also forces the Government into rescuing failed companies, because of the danger of a whole large group going bankrupt if one of its subsidiaries is in severe difficulties.

The system of cross-payment guarantees of debt in place at the Daewoo business group would have threatened the viability of the entire company if its ailing shipyard had not been saved recently by a financial package supported by the Government.

The system means that stock market investing is often based on rumour and instinct rather than on the fundamental position of an individual company.

Under the bill, a revision of the corporate audit law, the neutrality of certified public accountants would be guaranteed. At present, the accountants are believed to co-operate with the wishes of companies in preparing financial statements, so as not to lose business. Accounting standards of accuracy are also expected to be raised significantly.

New World 12% rise is below forecasts

By Our Financial Staff

NEW WORLD Development, the Hong Kong property company which agreed in August to buy the hotel interests of Ramada of the US, has announced a 12 per cent rise in after-tax profits in the year ending on June 30 to HK$1.25bn (US$160m), or HK$1.08 a share, compared with HK$1.11bn, or HK$0.99 a share in the previous year.

The figures, which are below analysts' expectations of HK$1.3bn to HK$1.5bn, do not include an extraordinary gain of HK$121m. Revenue figures were unavailable.

The company's directors have proposed a final dividend of 39 cents, boosting the full-year pay-out to 60 cents from 50 cents in the previous fiscal year.

The hotels unit of New World, which is controlled by Mr Cheng Yu-Tung, recorded a 32 per cent rise in earnings.

The company said it received HK$756m in rents and should earn more in the future through new leases with higher rents and the recent completion of the Hong Kong Convention and Exhibition Centre, which the group built and manages.

New World Hotels (Holdings), the group's separately listed hotel operation, said net profit jumped to HK$354m, or 61.5 cents a share, in the year, from HK$268m, or 46.5 cents a share in the previous year. Including one-time items, final profit fell by 9 per cent to HK$354m, from HK$391m.

This result was well in line with analysts' forecasts; they had expected after-tax profits of HK$316m to HK$360m.

The company's directors have proposed a final dividend of 22 cents a share, pushing up the full-year payout to 37 cents, from 31 cents a year earlier.

Mr Henry Cheng, Mr Cheng Yu-Tung's son, and managing director of both New World Development and New World Hotels, was optimistic about the hotel business. But he voiced concern over the rapid pace of hotel construction in Hong Kong – which has fanned competition in the industry – and the unlikelihood of China's tourism and hotel business improving soon. He added, however, that these are likely to be short-term considerations.

"On the back of rising personal incomes worldwide, expansion of economic activity on the Pacific Rim and the pledge of the Chinese Government to continue with its open-door policy and economic reforms, (the) tourism business in Hong Kong will continue to flourish when overseas confidence in China returns," he said.

● China Motor Bus, the franchised Hong Kong public bus company, has reported net profits for the year ended June 30 up by 22 per cent to HK$60m, from HK$49m a year earlier, AP-DJ adds from Hong Kong.

The board has proposed a final dividend of 33 cents a share, making a total payment of 77 cents for the year, unchanged from the previous year. Earnings per share and revenue figures were unavailable.

Edgars foresees earnings decline as demand dips

By Jim Jones in Johannesburg

EDGARS, the South African clothing and fashion chain, gained market share during the six months to September 30 1989 but warns that sales and profits could be affected by a further slowing in overall demand.

The industry estimates that the national clothing, footwear, textiles and apparel market grew by 5 per cent in real terms and 21 per cent in nominal terms during the six months to September, representing a drop on the 9 per cent real growth recorded in the corresponding period of 1989. Edgars' directors say a further decline is likely.

First-half turnover increased by 27 per cent to R897m ($345m) from R705m in the corresponding period of 1988, the interim operating profit before interest and tax rose to R130.2m from R92.9m and the interim pre-tax profit was R113.2m against R84.2m.

In the last financial year turnover totalled R1.58bn, operating profit was R209.7m and the pre-tax profit was R185.2m.

First-half earnings rose to 113.2 cents a share from 87.9 cents and the interim dividend has been lifted to 27 cents from 22 cents. Last year's full earnings were 192.2 cents and the year's dividend 75 cents.

Nissan lifts profits 14% on higher worldwide sales

By Robert Thomson in Tokyo

NISSAN MOTOR, the Japanese automaker, reported a 14 per cent increase in pre-tax profit to Y88bn ($619m) for the first half to end-September after significant increases in domestic sales and exports of vehicles.

The company said that the increase suggests that the difficulties of the yen's appreciation have been overcome, and that a "trend of financial improvement has been firmly set." Domestic sales in the period rose 19 per cent to 662,121 units, while exports increased by 6 per cent to 516,459 units.

Sales of passenger vehicles rose 18.2 per cent, but sales of commercial vehicles fell by 6.7 per cent, while strong sales increases were reported for auto components and industrial machinery. The company expects net profit for the year to be Y120bn, compared to the Y92bn of last year.

● Mitsui Mining & Smelting has reported a 62.2 per cent growth in pre-tax profit to Y5.3bn in the half ended September 30, compared with the first half last year, AP-DJ adds. Net income surged by 236.2 per cent to Y4.9bn yen, or Y10.07 per share, from Y1.5bn, or Y2.99 per share, a year earlier, on sales up by 13.1 per cent to Y141.1bn, from Y124.8bn.

Plain sailing for jinxed scheme

At last the way is clear for the Haldia complex, writes Gita Piramal

Last month when Mr Rajiv Gandhi, India's Prime Minister, laid the foundation stone for a big petrochemical complex at Haldia, 60 miles south of Calcutta, he simultaneously laid to rest several ghosts which had haunted this ambitious project for 12 years.

The Rs28bn ($1.68bn) proposal to build a naphtha cracker with a capacity to produce 300,000 tonnes per annum (tpa) of ethylene, along with a host of downstream petrochemicals, had taken on all the characteristics of a jinxed project. Problems of technology, questions of viability and cost overruns were just a few of the obstacles faced by its two main promoters, Mr R. P. Goenka, the head of RPG Enterprises, India's fourth-largest business group, and the West Bengal Government led by Mr Jyoti Basu.

Politics played an even more critical role. As delays pushed up project costs from an earlier Rs20bn, the venture rapidly acquired political overtones with Bengali politicians insinuating that the central Government was procrastinating over it solely because West Bengal was ruled by an administration opposed to Mr Gandhi's nationally ruling Congress (I) Party. The fact that proposals for similar petrochemical complexes were sanctioned in the states of Gujarat and Maharashtra fuelled their ire.

Caught in the crossfire of strained relations between the West Bengal state's Left Front administration and Mr Gandhi's Congress, financial institutions and other central authorities whose permissions were required were reluctant to commit themselves fully to such a controversial venture.

As years went by, though the promoters maintained their lobbying ceaselessly, privately even they acknowledged the diminishing chances of the enterprise materialising.

When the central Government's approval finally came, it came with surprising swiftness. "Frankly, I was rather dazed when I heard on October 11 that the Haldia proposal had been accepted," said Mr Goenka, who was in London at the time. The fact that the general elections were called last month for November 22 undoubtedly had a bearing on the timing of the project's clearance by the central Government.

The delay in shaking the dust off the Haldia report means that several aspects of the original proposal will have to be reworked. Several foreign collaborators who had earlier signed memoranda of understanding with the Indian promoters had allowed these agreements to lapse. New collaborators will thus have to be identified and fresh agreements drawn up. Moreover, not only will costs have to be revised but the product mix will probably also have to be re-evaluated.

"There are several options concerning the downstream units. A decision will be taken in conjunction with the Industrial Development Bank of India (Idbi) within a few weeks," says Mr Goenka.

Idbi is the project's leading financial institution and will provide a major part of the Rs20bn assistance. Out of the remaining Rs8bn, half will be raised from the capital market and the remaining Rs4bn will be contributed in almost equal shares by West Bengal and Mr Goenka.

The Haldia project will enable Mr Goenka to control a substantial part of India's embryonic petrochemical industry. Blueprints for another naphtha cracker, located at Madras, in collaboration with West Germany's Linde, are already on the drawing board.

The Rs10bn project, which was cleared last December, envisages the manufacture of 450,000 tpa of ethylene and other downstream products primarily for export.

India's three crackers collectively manufacture some 200,000 tpa of ethylene. Seven new crackers, with a total capacity of 2.19m tpa are expected to be commissioned over the next five years. Of these seven, RPG Enterprises will be associated with two of the largest, having an aggregate capacity of 750,000 tpa.

The past year has been exceptionally good for this aggressive business house. In the Economic Times' annual ranking of India's top 20 business houses, RPG emerged as the fastest-growing business group this century, moving up from 13th place to fourth with sales growing from Rs7.73bn in 1987-88 to Rs17.03bn in 1988-89. The enhanced sales figures are largely a result of four highly successful takeovers.

INTERNATIONAL COMPANIES AND FINANCE

Georgia Gulf faces $1.2bn takeover bid from NL Industries

By Roderick Oram in New York

NL INDUSTRIES, controlled by Mr Harold Simmons, the Dallas investor, yesterday made a $50 a share offer for Georgia Gulf, valuing the chemical company at $1.2bn.

Georgia Gulf, created in 1985 through the buy-out of the chemicals division of Georgia-Pacific, the forest products group, said it was considering its options. Its stock rose $1⅞ to $50½.

NL, a chemical company based in Houston, has built up a 9.9 per cent stake in Georgia Gulf this year. During the summer it suggested to Georgia Gulf's board that a recapitalisation, merger or some other form of transaction at $55 a share would benefit shareholders.

After inconclusive discussions on the proposals, Georgia Gulf said it would pursue its own alternatives.

These could include a takeover or some other type of deal.

Analysts believe the company is worth at least $60 a share in spite of growing weakness in some areas of the chemical industry.

Georgia Gulf is a leading producer of chlorine, brine, caustic soda and petrochemicals. It earned net profits of $193.6m or $6.75 a share on sales of $1.06bn last year. Analysts are forecasting earnings of about $7.50 a share this year and about $6.75 next, reflecting the downturn in economic conditions.

NL faces a tough fight as Georgia Gulf's officers and directors hold 18 per cent of its stock and employees an additional 6 to 8 per cent. It is also protected by its Delaware incorporation and a shareholder rights plan.

But Mr Simmons is no stranger to bitter battles. He won a 51 per cent controlling stake in NL in August 1986 after an aggressive two-month campaign. Valhi, one of his investment vehicles, has since raised its stake in NL to 66 per cent and recently offered to buy out minority shareholders with 1½ Valhi shares for each NL share.

Cardo and Lucas to form brake company

By Robert Taylor in Stockholm

CARDO, the Swedish industrial holding company affiliated to the Volvo group, and Lucas Industries of the UK are to set up a jointly owned company to manufacture braking systems for the railway industry.

The operation – to be called Equipments Ferroviaires Européens (EFE) – is expected to have an initial annual turnover of SKr900m ($139.5m). It will link Sab Nife, a Cardo subsidiary, with the UK aerospace and electronics group.

Cardo will have a majority shareholding of 50.1 per cent in the company which, it is claimed, will be the world's biggest supplier of brake equipment for locomotives. It will be based in Brussels.

EFE will be a holding company with 14 subsidiaries in western Europe, the US and Brazil. It is also in talks with Faiveley, the French electrical equipment, doors and air-conditioning group, over the possibility of selling Faiveley's products outside France.

Mr Lennart Nilsson, Cardo's chief executive, said yesterday that EFE was only the first stage in a structural response to the reorganisation and increased investment in European railways.

Lucas added the venture was to have a cross-shareholding arrangement with Faiveley and collaborative arrangements were to be sought with other railway product companies.

The UK will be EFE's largest market initially, accounting for a third of annual turnover, while North America will account for about 20 per cent.

Underlying earnings at Rockwell hold steady

By Anatole Kaletsky in New York

ROCKWELL International, the Los Angeles-based electronics, defence and engineering group, reported virtually no change in its underlying earnings in the latest quarter and forecast a steady but flat performance in the year ahead.

Rockwell made $125.1m or 56 cents a share in the final quarter of its fiscal year. This compared with $185.9m or 70 cents last year.

But the year-earlier results benefited from several one-time items, including an 18 cents a share tax adjustment and unusually high earnings from the B-1B bomber programme. Operating earnings from continuing operations were about the same as in the previous year.

In fiscal 1989 as a whole Rockwell made net profits of $734.9m or $2.87 a share on revenues of $12.5bn, compared with $811.9m or $3.04 in 1988, when revenues were $11.9bn.

Excluding one-time items in both years, the 1989 result would have been $2.47 a share, up 7 per cent on the year before, when underlying earnings were $2.30 a share.

Mr Donald Beall, chairman, said the electronic segment, which includes avionics, the Allen-Bradley automation companies, defence electronics and telecommunications, showed a 29 per cent increase in operating earnings to $488m.

Aerospace earnings fell 15 per cent to $418m. Automotive earnings of $180m were down slightly on the year before and graphics earnings of $129m advanced 98 per cent following the introduction of successful new printing press products.

Commenting on the outlook, Mr Beall said operating earnings in the first half of fiscal 1990 would be "somewhat below" the year-earlier level, primarily because of the weakness of the automotive market.

Sharp decline at Placer Pacific

By Our Financial Staff

PLACER Pacific, the Australian mining company 75.8 per cent owned by Placer Dome of Canada, reported a sharp drop in nine-month net earnings.

Total earnings to September 30 were A$14.6m (US$11.5m) or A$2.34 a share, from A$24.9m or A$4 a share a year earlier, a drop of 42 per cent. Revenues rose 31 per cent to A$134.8m from A$102.6m.

General Re surges despite loss from Hurricane Hugo

By James Buchan in New York

GENERAL RE, the largest US reinsurance company, has reported strong results for its third quarter in spite of heavy losses resulting from Hurricane Hugo, which caused considerable damage in the Caribbean and the Carolinas in September.

The company, based in Stamford, Connecticut, said it would also suffer losses from the earthquake that hit San Francisco on October 17. However, it added that these would only be reported in the fourth quarter.

The 29 per cent increase in third-quarter net profits was higher than Wall Street expected and General Re's stock, which has performed strongly this year, rose in early trading yesterday morning.

Net income was $145.8m or $1.60 a share, against $108.6m or $1.15 in the corresponding 1988 period.

The company's profitability deteriorated slightly, with the ratio of expenses and claims to premiums in its domestic property/casualty business rising to 101.7 per cent, from 99 per cent in last year's quarter. But this was principally due to the need to build reserves against catastrophe losses from Hurricane Hugo.

The result shows that General Re is still insulated from the price war in the primary market for insurance.

Its premium income has tumbled by a third since 1986 as highly competitive primary companies have laid off less risk in the reinsurance market. However, General Re has maintained prices on the business it does write.

General Re's domestic property/casualty premium income in the quarter actually increased to $443.6m, up from $410.8m in the 1988 period and $440.1m in the second quarter of 1989. There is widespread expectation on Wall Street that recent underwriting losses will force primary companies to buy more reinsurance.

At the nine-month stage, General Re reported net profits of $445.6m or $4.87 a share, up from $327.1m or $3.41.

Meat processing troubles hang over Canada Packers' sale

Robert Gibbens on prospects for a successful deal

The McLeans, by reputation one of Canada's richest families, have chosen a tough time to put 62-year-old Canada Packers, the country's largest food processing group, up for sale.

Last month Mr. William F. McLean, 73, the publicity-shy head of Canada Packers from 1954 to 1978, hired R.B.C. Dominion Securities to find a buyer for the family's 30 per cent controlling block and remaining stock. However, analysts say the group may ultimately be broken up as bids are believed to have been received for parts of it.

The decision to sell came as a surprise. The stock market, lulled by the company's sluggish performance for several years, immediately marked up shares 25 per cent to C$20, valuing the company at about C$750m (US$641m).

Since then the stock has fallen more than 2 points as the spotlight has fallen on troubles in the meat processing industry, Canada Packers' core business.

The company, which was founded by Mr McLean's father in 1927 as a pork packer, posted a profit of C$25.2m or 68 cents a share for the year ended March 26. Sales stood at C$3.2bn, about two thirds of which came from meat products, a tight-margin business at the best of times.

In the six months to September 23 net income was C$8.14m or 23 cents, down from C$12.9m or 35 cents last time. Sales eased to C$1.58bn from C$1.62bn.

Sales have been stationary since fiscal 1984 and profits have ranged between 69 cents a share in fiscal 1985 and a high of C$1.04 in both 1986 and 1987. The trend is lower in the current year.

The company has been diversifying and rationalising for the past two years but the benefits of these moves have yet to be felt.

Canada Packers must deal with an aggressive union in its meat packing division, industry over-capacity, and consumer preference for poultry – per capita consumption of beef and pork has declined by about 5 per cent over the past decade, while that of chicken has advanced 25 per cent. In addition it faces international problems, such as a special US duty on pork and Europe's ban on growth hormones.

The meat packers' troubles extend across the country, where the four biggest companies account for more than half industry sales of C$9bn a year.

Soon after the McLean family put Canada Packers on the block, the Alberta Government seized Gainers – a western meat packer owned by Mr Peter Pocklington, a flamboyant Edmonton businessman – for default on a C$6m provincial loan.

Then Cargill, the fast-expanding US conglomerate, opened a C$50m plant near Edmonton to process 6,000 head of cattle a week. Competitors say that with its low costs it could devastate the beef end of the packing business.

Mr McLean built his reputation as a strong manager of Canada Packers and as a director of several leading companies, including Stelco and the Canadian Imperial Bank of Commerce.

His son, Paul, sits on the Canada Packers board, representing the family. But the McLeans no longer play any active role in management and, clearly, they want to diversify their investment holding.

Mr McLean has put a December 15 deadline on finding a buyer for the company. Under a shareholder rights plan the board has this period to line up a friendly buyer and ensure all shareholders are offered the same price.

Although it is seeking a deal which will keep Canada Packers intact, analysts believe the company will eventually be broken up. The most profitable segments are cheese manufacturing and edible oils – the processed food side accounted for about 14 per cent of sales in 1989.

But the company also has strong brand identification for many food products and a large inventory of urban property across Canada. Analysts can only guess at the value of this real estate.

There are also processing plants in Britain, Europe, Australia, Mexico and the US, and a trading organisation. One analyst commented: "I'd estimate Canada Packers might go for C$20 to C$25 a share or C$700m to C$800m, but C$1bn or more sounds a bit rich in today's conditions."

INTERNATIONAL APPOINTMENTS

Continental Airlines chief resigns to pursue own business interests

CONTINENTAL Airlines, the non-unionised subsidiary of Texas Air, the prominent US airline holding group, declared that Mr D. Joseph Corr has resigned as chairman, chief executive officer and president to pursue business interests of his own.

Mr Frank Lorenzo, 49, Texas Air chairman, is succeeding Mr Corr as chairman and chief executive, while Mr Mickey Foret, 44, formerly executive vice president, has been elected as president.

Mr Foret had been responsible for planning and finance at Continental, and before that was senior vice president of Texas Air and Eastern Air Lines, Texas Air's other main offshoot.

In contrast to the loss-making Eastern Air, which has been under Chapter 11 bankruptcy protection since March due to a long-running strike, Continental has begun a return to profits after two poor years. While Eastern has sold a number of assets to reduce its debt, there has been speculation that Continental may be sold completely or in part.

Mr Lorenzo, in reaction to Mr Corr's resignation, said: "We regret to see Joe leave but we certainly respect his desires. Important operational and financial improvement has been ongoing (at Continental) during Joe's tenure, and we are committed to that improvement continuing."

Reserve Bank of Australia ex-governor joins AMP

THE AUSTRALIAN Mutual Provident (AMP) Society, the leading life insurance concern in Australasia, has appointed to its principal board Mr R.A. Johnston, formerly governor and chairman of the Reserve Bank of Australia from 1982 to July this year.

Mr Johnston first joined the Reserve Bank in 1960 and has held a number of senior executive positions with the bank on his climb to the top posts. He was executive director of the World Bank in Washington from 1977 to 1979.

★ ★ ★

FEVE, the European Container Glass Federation, has elected as president Mr Frank Davies, chief executive of Rockware, the UK-based glass and plastic containers manufacturer.

With 64 members in 17 countries, FEVE says it is one of the most representative trade associations in Europe. It is based in Brussels.

Mr Davies's appointment as FEVE president is for a period of one year. He has been Rockware chief executive since 1983, and before that was a director and divisional managing director of Alcan Aluminium UK. He was president of the Glass Manufacturers Federation from 1985 to 1987.

NCR names worldwide marketing executive

NCR, the US manufacturer of computers and business machines, said that Mr R. Elton White, executive vice president and currently head of its US Data Processing Group, will assume from the start of next year overall responsibility for marketing worldwide.

Mr John Poole, a vice president, will succeed Mr White as group executive, US Marketing Group.

Mr Khaled Marrei has been named vice president, financial systems division, within NCR's Integrated Systems Group.

★ ★ ★

AMERICAN Express Bank, the wholly-owned international banking subsidiary of American Express, the financial and travel services group, elected Mr William Russo as senior vice president, public affairs and advertising, a newly created position.

Mr Russo, 38, was previously director, public policy. His career with the American Express group spans almost 16 years, with the last two years spent with AEB.

★ ★ ★

NATIONAL BANK OF Abu Dhabi, the largest bank of the United Arab Emirates, appointed Mr James Steele as managing director and president of its wholly-owned subsidiary, Abu Dhabi International Bank, in Washington.

He replaces Mr Assaad S. Assaad, who retired from the bank at the end of September.

Mr Steele gained a strong background in international banking during 22 years of service with the US-based First National Bank of Atlanta. He joined ADIB in 1985 as senior vice president – credit and marketing, and was later made executive vice president.

★ ★ ★

SVENSKA International, the London-based international investment banking arm of Svenska Handelsbanken, Sweden's second largest commercial bank, has appointed Mr David Teague as an executive director. He will have responsibility for the establishment of a subsidiary in Madrid.

Mr Teague has switched from Bankers Trust, where he was vice president in charge of developing corporate relationships in the nordic countries and in the UK. He was previously with Morgan Guaranty.

★ ★ ★

OUTOKUMPU, the Finnish state-owned natural resources group, announced a new finance organisation, effective from November 1.

Mr Pentti Hakkarainen, 31, has been named finance director, while Mr Kai Nurmio, 34, becomes director – group financial services.

Bear Stearns accounting expert steps down

AT BEAR STEARNS, the US securities house, Mr Lee Seidler, 54, has stepped down as senior managing director in charge of accounting and tax analysis, reports AP-DJ in New York.

Mr Seidler, who will remain affiliated with the company as a special associate director, said he is taking the action "to have more time to spend travelling and writing."

A member of the firm since 1971, Mr Seidler was made a partner in 1981. Formerly, he was a professor of accounting at New York University's Graduate School of Business.

One of the longest running first-team members of the Institutional Investor All-America research team, Mr Seidler ranked first in that magazine's list in the field of accounting analysis for 14 years.

★ ★ ★

WALGREEN, the leading US drug store chain, elected Mr L. Daniel Jorndt president and chief operating officer, effective from the retirement of Mr Fred Canning from these positions on February 1.

Mr Canning has been president for 11 years. Mr Jorndt is at the moment senior vice president and treasurer.

INTERNATIONAL CAPITAL MARKETS

Japan relaxes rules on corporate bond issues

By Michiyo Nakamoto in Tokyo

JAPAN'S Ministry of Finance is ready to ease the rules that separate Japanese banking and securities by allowing companies to issue short to medium-term corporate bonds on the domestic market.

Ministry officials said they will consider requests case-by-case from domestic firms wishing to issue corporate bonds with short maturities. Until now Japanese companies have been allowed to issue on the domestic market only corporate bonds with maturities of four years or more.

The move will enable Japanese firms to seek short-term lending on the market rather than through the banks. It represents a step towards the removal of the barrier between banking and securities operations in Japan. Until now short and medium-term corporate bonds could not be issued since they would make the securities companies that underwrite the bonds compete directly with the banks in their business of short-term lending.

The development also marks something of a victory for the securities companies in their struggle with the banks to extend their business as Japan's financial markets become more liberal. "We have always said that setting restrictions on the term [of corporate bonds] is unjustifiable," said an official at one of the big four Japanese securities firms.

The banks, for their part, see the removal of restrictions on corporate bonds as a threat to their mainstay lending business, so are likely to make stronger requests for a similar concession on their operations.

Deregulation is an irreversible trend, but if the barriers are to come down they should all do so without exception, says Mr Masato Tsutsui, senior vice president of the securities division at Dai-ichi Kangyo Bank.

However, securities companies feel that allowing the banks into their territory will lead to corporate domination by the banks. Meanwhile, Japanese companies have complained that the debate on financial liberalisation has been carried out so far with little concern for their needs.

The bickering between securities companies and banks has slowed progress on the lifting of the rigid rules that have chased Japanese firms away from the domestic corporate bond market to seek funding on the Euromarkets. In the first half of fiscal 1989, from April to September, the total amount of funds raised by Japanese companies on the Euromarkets reached a record Y6,520bn, exceeding the Y5,790bn provided by the domestic market.

The ministry hopes that the gradual removal of term regulations for corporate bonds will help make the domestic market more attractive for companies wanting to raise funds. The authorities have stepped up their efforts to bring the corporate bond market home from the Euromarket.

In June the ministry lifted the ban on short to medium-term Euroyen bonds. Last month the European Community became the first foreign organisation allowed to issue three-year Samurai bonds, yen denominated foreign bonds.

Banks may invest in Brazilian tourism

By Rachel Johnson

INTERNATIONAL banks are to be invited to subscribe between $300m and $500m of Brazilian debt to a joint venture created to invest in tourism in Brazil.

The venture is being formed by Singer and Friedlander, the merchant bank, and its European InterAmerican Finance affiliate (Surinam), which has set up a partnership with a Brazilian tourist project company, Mabisa Servicos Imobialiaros.

Ministers have singled out tourism as a priority for foreign investment – although the venture's sponsors are aware that their plan is dependent on the outcome of forthcoming Brazilian elections and regulatory approval.

The sponsors will approach international commercial banks to form an investor group. Banks which join will be represented on the management committee of the fund, as will their sponsors and advisers. The fund's advisers are Mr Sergio Correa da Costa, ex-ambassador to the UK and UN, and Mr Abol Helmy, chairman of Equicap.

Given the appropriate regulatory approvals, the partnership expects the fund to be operational in the first quarter next year.

● A rights issue of 18.75m shares in the India Fund, a London-listed unit trust established for international investment in Indian equities, has been undersubscribed.

The offer of 18.75m shares closed on October 25 after 12.39m had been taken up. The *remaining* shares were placed in the market by Merrill Lynch at the issue price of 214p, rather than placed with the sub-underwriters.

Deutsche Bank boss vilifies SE practices

By Haig Simonian in Frankfurt

MR ROLF Breuer, the managing board member of Deutsche Bank responsible for secondary market trading, has scathingly criticised the way West German shares are traded following the dramatic fall in German equity prices last month.

Echoing criticisms from other senior bankers, Mr Breuer focused on the antiquated procedures which contributed to the precipitous decline in domestic equity prices on October 16.

"That it was impossible, here at a world market like Frankfurt, to get a share price for a company like Volkswagen, when we can travel to the moon, proved the case for reform," he said.

Mr Breuer stressed the need to bring German stock markets into line with developments elsewhere in Europe. Setting up IBIS, a new share price information system, would be a major step. In time the system could form part of the PIPE (Price Information Project Europe), a share price information network being planned across the continent.

Mr Breuer also emphasised the need for a body to represent German banks in the talks on new international rules for banks in the securities business.

The recent Iosco meeting in Venice had shown up the lack of such an institution. A string of German bodies, including the Finance Ministry, Bundesbank and the Federal Bank Supervisory Authority, clearly believed that such a function was beyond their scope.

"There must be someone who feels responsible," said Mr Breuer. Otherwise, German banks ran the risk of being at a disadvantage compared with their foreign counterparts, particularly regarding new capital requirements, he said.

Mr Breuer quashed arguments that German universal banks could get round the problem by hiving off their investment banking activities into a separate operation to overcome the need for higher capitalisation.

Chinese joint ventures delay loan repayments

MORE joint ventures in China are seeking to reschedule loan repayments due to the economic uncertainty created by Peking's mid-year Tiananmen Square massacre, Reuter reports.

Banking officials in Hong Kong expect several large loans to be rescheduled, and one international law firm reported an increase in legal action being taken by overseas partners in China-based joint ventures.

Many of the loans are for property developments in China's major cities.

The largest property joint venture – the China World Trade Centre in Peking – is planning to reschedule its $280m loan, a senior bank official said. But a formal rescheduling plan has not been proposed yet.

"Up to now only a few office spaces and apartments have been leased out. Many leaseholders have terminated their contracts on the grounds of delay," the banker said.

Another prime project, the Shanghai Exhibition Centre which has a total investment of $175m, is asking for a year's delay before commencing repayment of its $145m syndicated loan.

A banker with one of the lenders said construction work on the hotel, office and apartment complex had been delayed by almost a year.

"Now the lenders and borrowers are facing a deadlock," the banker said. "The foreign partners declined to inject more shareholders' funds into the project."

"But the creditor banks have refused to reschedule the loan unless the partners put in more money to show their commitment."

The China department head of a leading European bank said: "There are many projects in China which are planning to reschedule loan repayments." China's tourism industry has been hit by the events of June, and he said many loans for hotel projects in tourist areas such as Guilin, Xian and Guangzhou are to be rescheduled.

A lender to the China World Trade Centre said: "What we are worried about are China's tourism and business prospects. Even if we let them reschedule the loan now, what about the future?"

He said most lenders did not want to call on the guarantor to pay the loan. "Normally the guarantors are Chinese state corporations. If we all call for payment at the same time, it may trigger a financial crisis and we'll be the ultimate losers."

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 1

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9⅜ 95	600	104	104⅛	-0⅛	-0¼	8.44
Austria 9⅝ 93	140	102⅝	103⅛	0	-0¼	8.58
B.F.C.E. 8⅞ 94	175	99½	99⅞	-0⅛	-0⅛	8.46
B.F.C.E. 9¼ 95	150	102⅞	103⅜	-0⅛	-0⅛	8.56
Brit. Tel. Fin. 9⅜ 98	250	104⅛	104⅝	-0⅛	-0⅛	8.65
Canada 9 96	1000	103⅝	104⅛	-0⅛	0	8.17
C.C.C.E 9¼ 95	300	102⅞	103⅜	0	-0¼	8.48
C.N.C.A 9⅛ 93	150	†101⅞	102⅜	-0⅛	-0⅜	5.75
Credit National 8¼ 93	200	†99¼	100¼	+0⅛	+0⅛	8.31
Credit National 7⅜ 92	100	97½	98	+0⅛	0	8.38
Credit National 9½ 92	160	†102	102½	0	-0⅛	8.64
Dai-ichi Kan 9⅝ 92	150	102¼	102¾	-0⅛	-0¼	8.60
Denmark 8¼ 94	150	†98⅛	98⅞	0	0	8.60
Euro Credit Card Tst 9 99	325	†100⅜	101⅜	0	-0⅜	8.82
E.E.C. 7 91	100	97⅛	97⅝	-0⅛	-0⅛	8.41
E.E.C. 10 93	140	†104⅜	104⅞	-0⅛	-0⅛	8.39
Eurofima 10⅛ 93	100	†104½	104⅞	-0⅛	-0⅛	8.46
Elec. De France 9 98	200	102⅜	103¼	0	0	8.47
Elec. De France 9½ 99	200	†105⅛	105⅜	0	-0⅜	8.64
Finland 9 96	250	102	102⅜	-0⅛	-0⅛	8.52
Finn. Exp. Cd. 8½ 92	200	99⅞	100⅜	0	0	8.40
Finn. Exp. Cd. 9⅜ 95	200	103⅛	103½	-0⅛	-0⅜	8.63
Ford Motor Credit 8 91	250	†98¾	99¼	0	-0⅛	8.73
Gen. Elec. Cap. Corp. 9 93	500	†101½	102	0	+0⅛	8.46
Gen. Elec. Cap. Crp. 10 1/2 91	300	102⅛	102⅝	-0⅛	-0¼	8.52
G.M.A.C. 9 96	300	100⅝	101⅛	-0⅛	-0¼	8.81
Gen. Mtrs. Corp. 9⅛ 92	200	101⅞	101⅜	0	-0⅛	8.50
IBM Credit Corp. 8⅞ 91	250	100¾	101¼	0	-0⅛	8.31
IBM Credit Corp. 9 92	250	102	102⅜	-0⅛	-0⅛	8.06
IBM Credit Corp. 9½ 92	250	101⅞	102⅜	0	-0¼	8.41
IBM Credit Corp. 10 92	200	103⅜	103¾	-0⅛	0	8.30
Italy 9½ 95	1000	104¼	104¾	0	-0¼	8.51
Italy 9⅝ 99	1000	105⅛	106	-0¼	-0½	8.69
Itoh C. W/W 4⅝ 94	1000	104¼	105¼	0	+3½	3.49
Japan Dev. Bank 10 96	200	106¾	107⅛	-0⅛	0	8.56
KFW Intl. Fin. 9 94	300	101¾	102¼	0	0	8.47
L.T.C.B. of Japan 9¼ 92	200	101¼	101¾	-0⅛	-0⅛	8.66
Metropolis Tokyo 9½ 93	200	102½	103⅛	-0⅛	-0⅛	8.46
Nippon Tel.&Tel. 9⅛ 98	250	104⅜	104¾	-0¼	-0⅜	8.63
Norway 8⅛ 93	500	101	101⅜	-0⅛	-0¼	8.32
Portugal 8⅛ 91	300	†98⅝	99⅛	0	+0⅛	9.08
Sumitomo Bank 9⅝ 92	150	†102½	103	0	-0⅛	8.51
Sumitomo Corp. W/W 4 93	1500	114⅝	115⅜	+0¼	+4¼	-0.13
Sweden 8¾ 96	200	101¼	101¾	-0⅛	-0⅛	8.42
Sweden 8½ 92	200	†99⅝	100⅛	0	+0¼	8.53
Toyota 9½ 91	200	101⅝	102⅛	-0⅛	-0¼	8.48
Toyota Mtr. Corp. W/W 4 93	1500	106	107	0	+0⅞	2.10
Victorian Rep 11⅜ 92	150	105¾	106¼	0	-0⅛	8.79
World Bank 8⅜ 99	1500	100⅞	101⅛	+0⅛	-0⅛	8.41
World Bank 9 97	300	102⅝	103⅛	+0⅛	0	8.47
World Bank 9 93	300	102	102⅜	-0⅛	-0¼	8.28
World Bank 9¼ 98	300	104⅛	104½	+0⅛	-0⅛	8.53
World Bank 9⅜ 99	500	106⅜	106¾	-0⅛	-0⅛	8.55
World Bank 9¾ 96	300	†105¼	106	+0⅛	-0¼	8.52

Average price change... On day 0 on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	93⅛	93⅝	-0⅛	-0⅛	7.57
Austria 6¼ 99	750	96⅛	96⅝	-0⅛	-0⅜	7.27
Bk. Frgn. Econ. USSR 7 96	750	†94¼	95¼	-0¼	-0¼	8.07
Bank of Tokyo 5¾ 93	100	94½	95	+0¼	+0¼	7.58
Commerzbank o/s. 5⅜ 93	300	93½	94¼	0	0	7.60
Credit Foncier 6¾ 99	500	96¼	96¾	-0⅛	-0¼	8.31
E.I.B. 6¼ 99	600	92⅞	93⅜	-0¼	-0⅜	7.31
E.I.B. 6½ 99	300	95⅛	95¾	+0¼	+0⅛	7.19
E.I.B. 6⅝ 96	600	96⅝	97⅛	-0⅛	-0¼	7.24
E.I.B. 6⅞ 95	300	97½	98⅛	-0¼	-0⅜	7.32
Euro. Coal & Steel 5⅞ 97	175	91¼	91⅞	-0⅛	-0⅛	7.42
Eurofima 6¼ 96	100	92½	93⅛	+0⅛	0	7.67
Elec De France 5¾ 97	300	90¼	90⅞	-0¼	-0⅛	7.39
Hydro-Quebec 6¾ 99	300	95½	96⅛	-0⅜	-0½	7.36
Japan Dev. Bk. 5⅜ 95	300	90⅝	91⅛	-0⅜	+0⅛	7.48
Japan Finance 5⅜ 97	100	90¼	91	-0⅛	+0¼	7.45
I.A.D.B. 7¼ 99	300	99⅛	99⅝	-0⅛	-0⅜	7.32
Ireland 6½ 97	300	93¾	94¼	0	-0⅛	7.57
Ireland 7¼ 99	500	97⅞	98⅜	-0⅛	-0⅜	7.52
Malaysia 6¼ 94	130	95⅛	95¾	0	-0½	7.41
Nat. West BK. PLC 6 98	300	89⅞	90⅝	+0⅛	+0⅛	7.59
N.H.L. Finance 6¼ 95	200	†91¼	91⅞	-0⅜	-0⅛	8.11
Nippon Telg.&Tel. 6 95	400	93⅝	94⅛	-0⅛	+0⅛	6.52
Oesters. Kontbk. 5 93	300	94⅛	94⅞	0	+1½	6.94
Portugal 5¾ 92	150	95½	96⅛	0	-0⅜	7.45
Portugal 6⅝ 95	150	96½	96¾	0	+0¼	7.38
Privatbanken 5¼ 93	150	92⅝	93¼	0	0	7.75
Royal Insurance 5½ 92	300	94⅞	95⅜	+0⅛	+0⅛	7.75
Turkey 6½ 95	500	91⅝	92⅜	-0⅛	0	8.35
Union Bk. Finland 5½ 94	200	†92	92½	0	0	7.71
World Bank 6 98	500	91¼	92	-0⅛	-0⅛	7.30
World BK. 6¼ 97	600	93⅝	94	0	-0⅜	7.89
World Bank 6¾ 99	600	96	96¼	-0¼	-0¼	7.31

Average price change... On day -0⅛ on week -0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	150	†90½	91½	+0¼	0	6.70
Asfinag 5 03	100	†86	87½	+0¼	+0¼	6.48
B.F.C.E. 4½ 98	200	†88½	89	+0¼	-1	6.21
B.M.W. Fin. Neth. 5 13	150	†86½	89	+1⅜	+1⅝	5.98
Britannia B/S. 4¼ 94	100	†87	89	0	-1	7.41
CIR. Int. W/W 3 93	125	†86½	86¾	0	-1⅞	7.23
Credit Lyonnais 4¾ 00	100	†84	85	-1	-2¼	6.85
E.I.B 4⅝ 98	150	†89½	90	0	-0½	6.19
Finn. Exp. Cd. 8¼ 92	75	†100	100⅝	0	-0⅛	8.09
Fletcher Chall. 4⅞ 98	150	†85	85¼	+0½	-2⅜	7.29
I.A.D.B. 6 2004	200	†97½	98	-0¼	-0⅜	6.23
Kobe City 4⅝ 98	150	†88	89	0	+0¼	6.39
Leeds Perm. B/S. 4⅛ 93	200	†89½	90½	-0¼	-0¼	7.51
Malaysia 5¼ 98	100	†84	85	0	0	7.76
Maxwell Comm. Crp. 5 95	150	†78	79	-3½	-5¼	10.20
Nat. Bk. Hungary 5½ 94	75	†88½	90	-0¼	0	8.14
Nationwide Ang. B/S. 4 93	200	†88	89¼	-0⅞	-2¼	7.70
Prov. Newfoundland 5 03	150	†86	88	-2	+0½	6.42
Thailand 4⅝ 95	200	†86	87	0	+2	7.63
World Bank 5 03	150	†86	87	-0⅛	-0¼	6.51

Average price change... On day -0⅛ on week -0⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	100⅛	100⅜	-0¼	-0¼	5.89
Canada 5⅛ 93	80	99⅝	99⅞	-0¼	-0½	5.77
Eurofima 5 1995	20	96⅛	96½	-0⅛	-0⅜	5.81
E.I.B. 4⅞ 93	30	97	97¼	-0¼	-0¼	5.84
Ireland 5⅛ 93	30	97¼	97⅝	-0⅛	-0⅛	5.93
Norway 5⅛ 95	50	97¼	97⅞	-0¼	-0⅜	5.64
Sweden 4⅝ 93	50	96⅛	96⅜	-0¼	-0¼	5.82
World Bank 5⅛ 98	10	95⅝	96⅛	-0⅛	-0½	5.75
World Bank 7 94	20	104⅜	104⅞	-0⅛	-0⅛	5.79

Average price change... On day -0⅛ on week -0⅜

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10¼ 94 C$	150	98⅛	98½	-0⅛	0	10.71
Abbey Nat. 11⅝ 95 £	100	96⅛	96⅝	-0¼	-0⅞	12.57
Aegon 7⅛ 92 Fl	100	99⅞	100¼	0	0	7.90
Alg. Bk. Ned. 5⅞ 93 Fl	200	93⅜	93¾	-0⅛	-0⅜	8.01
Austria 7½ 94 ECU	100	*94⅛	94⅝	0	-0⅜	9.05
Bk. Nova Scot. 14⅜ 90 A$	75	†95¾	96¼	-0⅛	-0¼	18.53
Barclays Aus. 13½ 91 A$	100	95⅜	96⅛	-0⅛	+0⅛	16.02
Belgium 8⅛ 94 Ecu	150	*96½	97	0	-0½	9.04
BP Capital 9¾ 93 £	100	91⅝	92	0	-0⅝	12.81
British Airways 10 98 £	100	88⅝	89⅛	-0½	-0⅞	12.17
Brit. Telecom 9½ 93 £	150	91⅞	92⅜	0	-0½	12.51
Comm. Bk. Aust. 12⅝ 93A$	100	†92⅞	92⅞	0	+0⅜	15.38
Comm. Bk. Aus. 13¼ 94 NZ$	60	104¾	105¼	+0⅛	+0¼	12.35
Credit Foncier 9 96 Ecu	100	*99¼	99¾	0	-0⅜	9.09
CrLocalFrance 9¼ 92Ecu	100	*99⅝	100⅛	0	-0⅜	9.26
Deut. Bk. Aus. 13⅜ 93 A$	125	95	95½	-0⅛	+0⅛	14.99
Deutsche Bk. Fin. 15 94 A$	100	100⅝	101⅛	+0⅛	+0⅛	14.64
E.I.B. 7 96 LFr	100	*95¾	96⅜	0	-0⅛	7.85
E.I.B. 7¼ 99 Fl	150	96½	97	-0⅛	+0⅛	7.60
E.I.B. 9 99 Ecu	150	*†99⅞	99⅞	0	-0⅞	9.04
Eurofima 7⅝ 94 Ecu	100	*94⅞	95⅜	0	-0½	9.04
Export Dv. Crp. 8⅞ 92Ecu	100	*98⅞	99⅜	0	-0⅜	9.11
Fed. Bus. Dv. Bk. 9 94 Ecu	100	*†98⅞	99⅜	0	+0⅛	9.22
Fed. Bus. Dv. Bk. 9¾ 92 C$	75	†98⅛	98⅝	0	+0¼	10.44
Fed. Bus. Dv. Bk. 10½ 93C$	50	†99⅞	100⅜	0	+0¼	10.42
Ferrv. State 7¾ 93 Ecu	100	*95	95½	0	-0¼	9.34
Ford Cr. Can. 10¾ 93 C$	100	†100	100½	0	+0¼	10.61
Ford Cred. Can. 10⅞ 96C$	125	101⅛	101⅝	0	0	10.54
Ford Cred. Fund. 10¼ 93£	60	93½	94	-0⅛	-0¼	12.83
G.M.A.C. Canada 11 3/4 94C$	100	103⅜	103¾	0	0	10.68
Heineken 7⅜ 94 Fl	150	100⅝	101¼	0	+0½	7.69
Hydro-Quebec 11 99 C$	400	103½	103¾	+0⅛	+0¼	10.35
Lloyds Bank 10¼ 98 £	150	90	90½	+0⅛	-0⅜	12.14
Lloyds Bank 11⅜ 98 £	100	93⅛	93¾	-0⅝	-1⅛	12.62
Montreal Tst. 10¼ 93 C$	100	†99	99½	0	+0¼	10.97
Nat. Aus. Bk. 14¼ 94A$	100	97½	98⅛	-0¼	-0⅛	15.43
New Zealand 9½ 93 £	100	90½	91	0	-0⅞	12.90
O.E.K.B. 10¼ 99 C$	150	99⅝	100⅛	-0⅛	-0¼	10.25
Privatbanken 7½ 94 LFr	500	*97	98	0	-0⅛	8.22
Royal Bk. Scot. 10⅝ 98 £	125	92	92½	-0⅛	-0¼	12.17
Saskatchewan 9⅞ 91 C$	150	†98⅝	99⅛	0	+0¼	10.56
Saskatchewan 10¼ 93 C$	200	99⅜	100	-0⅛	+0⅛	10.36
State Bk. NSW. 13⅞ 93A$	100	94⅞	95¼	-0⅛	0	15.59
Sweden 7½ 93 Ecu	250	*94½	94⅞	0	-0⅜	9.15
Sweden 15 94 A$	100	101	101½	+0⅛	+0⅛	14.52
Toyota Mtr. Cr. 11⅛ 92C$	150	101½	102⅛	-0⅛	0	10.50
World Bank 7⅛ 99 Fl	300	96⅝	97⅛	0	+0¼	7.59
World Bank 13⅞ 92 A$	100	97½	98	0	+0⅛	14.35
World Bank 14¼ 94 A$	75	98½	99	-0⅛	+0⅛	14.58
Zentrspk. 13¼ 93 A$	75	†95¼	95¾	-0⅛	+0¼	14.82

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.84	99.89	24/01	15.21
Bank of Greece 99 US	0¼	99.74	99.84	8/03	9¼
Belgium 91 US	0	100.21	100.31	21/02	8.81
Chelt. & Gloucester 94 £	.063	99.73	99.78	30/11	14.06
Credit Foncier 98 US	.063	99.94	100.04	20/04	8.31
Dresdner Finance 99 DM	.031	99.84	99.95	28/01	8.16
EEC 3 92 DM	0	100.00	100.10	22/02	6¾
Halifax BS 94 £	.1	100.12	100.17	9/11	13.97
Invt. In Industry 94 £	0¼	99.92	100.02	24/11	14.06
Leeds Perm. B/S. 94 £	0⅛	100.08	100.13	15/01	15.37
Milk Mkt. Brd. 5 93 £	0⅛	99.83	99.88	29/12	14.94
New Zealand 5 97 £	.07	99.98	100.08	18/11	13.19
Northern Rock 92 £	0½	99.85	99.90	20/01	5¼
State Bk. Nsw. 98 US	.188	100.24	100.34	11/02	8.81
Woolwich Equit. BS. 93 £	0⅛	100.02	100.07	15/01	15.37
Woolwich 5 95 £	0⅛	99.87	99.92	21/11	14.06

Average price change... On day 0.00 on week -0.02

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	116	117	+1½	3.19
Amer. Brands 7⅛ 02 US	†9/87	56.7	120	121	+1	-2.05
CBS. Inc. 5 02 US	4/87	200.	102⅞	103⅞	+0⅝	3.72
Dai-Ichi Kan. 3⅞ 04 US	7/89	3486.	99⅛	100⅛	-0⅜	2.43
Primerica 5½ 02 US	4/87	66.75	74½	75½	+0⅜	73.26
Eng. China Clay 6½ 03 £	9/88	4.8	85⅞	86⅞	+1½	3.65
Fujitsu 3 99 US	5/84	1106.	212½	213½	-3¼	-1.55
Ladbroke 5¼ 04 £	†6/89	7.1	97¼	98¼	+0⅛	151.83
Land Secs. 6¾ 02 £	6/87	6.72	84⅞	85⅞	+0⅛	11.45
Minolta Camera 2¼ 94 DM	2/86	1004.	104⅛	105⅛	-0⅛	9.25
MCA Inc 5¼ 02 US	9/87	69.62	100	101	+1	11.72
Mitsubishi Bk. 3½ 04 US	5/89	3266.	93⅞	94⅞	0	1.80
Next Plc 5¾ 03 £	11/87	4.3	95½	96½	+0⅛	339.15
Nthl Nipp. Bk. 2⅞ 03 US	4/88	884.	127	128	0	0.50
Omnicom Inc. 6 1/2% 04 US	10/89	28.	101⅛	102⅛	+0⅛	19.15
Omron Tateisi 2⅝ 02 US	4/87	1318.	206½	207½	-0⅛	0.48
Ranks Hovis 4¾ 03 £	1/88	3.5	118⅛	119⅛	+0⅛	-1.98
Redland 7¼ 02 £	1/87	5.4	97¼	98¼	+0⅛	6.11
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	91⅛	92⅛	0	30.10
Silicon Graphics 8 04 US	6/89	29.78	116⅛	117⅛	0	9.12
Sumitomo Bank 3¾ 04 US	2/89	3897.	82½	83½	-0⅛	5.46
Texas Inst. 2¾ 02 US	9/87	82.87	75¼	76¼	+0⅛	98.22
Utd. N'papers 8 04 £	10/89	8.77	108⅛	109⅛	+0⅛	113.50
W.R. Grace 6¼ 02 US	9/87	42.12	92⅛	93⅛	+0⅛	28.78

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

COMPANY NOTICES

NOTICE TO BONDHOLDERS OF THE SANWA BANK, LIMITED

U.S. $100,000,000
2¾ PER CENT.
CONVERTIBLE BONDS DUE 2000
(the "Bonds")

Pursuant to Clause 7, sub-clauses (B) and (C) of the Trust Deed relating to the Bonds, notice is hereby given as follows:

1. At the meeting of the Board of Directors of The Sanwa Bank, Limited (the "Bank") held on 20th October, 1989, resolutions were adopted to issue 60,000,000 new shares on 16th November, 1989 through a public offering in Japan and to issue subscription rights to the holders of Shares entitling them to subscribe, at the issue price of ¥1,380 per Share, for 5 new shares for every 100 shares held on the record date of 30th November, 1989. Subscription rights may be transferred by delivery of certificates evidencing such subscription rights which certificates may be issued by the Bank upon request of the holders of Shares during the period from 17th January, 1990 up to 31st January, 1990. The period during which such subscription rights may be exercised is from 25th January, 1990 to 5th February, 1990 and the issue date of new shares to be issued upon exercise of such subscription rights will be 16th February, 1990.
2. (a) The current Conversion Price of the Bonds of ¥1,305.40 per share may be subject to an adjustment with effect from 16th November, 1989 to take account of the issue of 60,000,000 new Shares, in accordance with Condition 5(C)(v) of the Bonds.
   (b) The current Conversion Price of ¥1,305.40 per share (or, if adjusted as described in 2(a) above, the adjusted Conversion Price) may be subject to an adjustment (or further adjustment, as the case may be) with effect from 1st December, 1989 to take account of *the issue of subscription rights described in* 1 above in accordance with Condition 5(C)(ii) of the Bonds.
3. Further notice to Bondholders will be published in accordance with Condition 5(C)(xii) of the Bonds advising of any adjustment to the Conversion Price as a result of the aforementioned financings by the Bank or, if no adjustment is required to be made, that the Conversion Price will remain unchanged.

THE SANWA BANK, LIMITED

NOTICE TO BONDHOLDERS OF THE SANWA BANK, LIMITED

U.S. $300,000,000
1¾ PER CENT.
CONVERTIBLE BONDS DUE 2002
(the "Bonds")

Pursuant to Clause 7, sub-clauses (B) and (C) of the Trust Deed relating to the Bonds, notice is hereby given as follows:

1. At the meeting of the Board of Directors of The Sanwa Bank, Limited (the "Bank") held on 20th October, 1989, resolutions were adopted to issue 60,000,000 new shares on 16th November, 1989 through a public offering in Japan and to issue subscription rights to the holders of Shares entitling them to subscribe, at the issue price of ¥1,380 per Share, for 5 new shares for every 100 shares held on the record date of 30th November, 1989. Subscription rights may be transferred by delivery of certificates evidencing such subscription rights which certificates may be issued by the Bank upon request of the holders of Shares during the period from 17th January, 1990 up to 31st January, 1990. The period during which such subscription rights may be exercised is from 25th January, 1990 to 5th February, 1990 and the issue date of new shares to be issued upon exercise of such subscription rights will be 16th February, 1990.
2. (a) The current Conversion Price of the Bonds of ¥2,767.80 per share may be subject to an adjustment with effect from 16th November, 1989 to take account of the issue of 60,000,000 new Shares, in accordance with Condition 6(C)(v) of the Bonds.
   (b) The current Conversion Price of ¥2,767.80 per share (or, if adjusted as described in 2(a) above, the adjusted Conversion Price) may be subject to an adjustment (or further adjustment, as the case may be) with effect from 1st December, 1989 to take account of *the issue of subscription rights described in* 1 above in accordance with Condition 6(C)(ii) of the Bonds.
3. Further notice to Bondholders will be published in accordance with Condition 6(C)(xii) of the Bonds advising of any adjustment to the Conversion Price as a result of the aforementioned financings by the Bank or, if no adjustment is required to be made, that the Conversion Price will remain unchanged.

THE SANWA BANK, LIMITED

Mitsubishi Bank of Australia Limited

A$50,000,000

Floating Rate Notes due 1991

Notice is hereby given that for the three months interest period from 31st October, 1989 to 31st January, 1990 the Notes will carry an Interest Rate of 18.1117% per annum.

Interest payable on 31st January, 1990 will amount to A$2,282.57 per A$50,000 Note.

The Mitsubishi Bank, Limited
London Branch
Agent Bank

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PERSONAL

CHARITIES

The Financial Times proposes to publish this survey on:

5 DECEMBER 1989

For a full editorial synopsis and advertisement details, please contact:

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

INTERNATIONAL CAPITAL MARKETS

Heat is on again for programme traders

Janet Bush on calls for reform that are reminiscent of moves after the Crash of 1987

Although less panicked, the political response to the sharp stock market fall of October 13 has been reminiscent of the demands for market reform which followed Black Monday in 1987.

This is partly because a great deal of planned legislation still sits in the files of several committees and sub-committees, only partially considered.

Various Bills proposed both in the Senate and the House after the Crash of 1987 ran up against the formidable obstacle of the Reagan Administration's free market working group which stood against major regulatory change. Then the Bills simply died when Congress broke up shortly before the Presidential election last autumn.

While the stock market was rising steadily last year and for most of 1989 when it hit all-time highs, there was little incentive to revive proposed market reform.

That changed on October 13. The precipitous fall of 190 points in the last hour of trading and the extreme volatility since has once again encouraged Congress members, mindful of the fears of the individual investors who vote for them, to urge tighter regulation and measures to curb the stock index arbitrage excesses of the largest institutional traders.

Stock index arbitrage is the computerised strategy which seeks to make a turn on price discrepancies between Standard & Poor's 500 futures contracts and their stocks.

The crisis last month has once again turned up the heat on programme traders. Last week, a clutch of investment management companies announced that they would no longer do business with the handful of Wall Street securities houses which do index arbitrage for their own account.

Although nobody has called for an outright ban on programme trading, as many did in the months following the 1987 Crash, there is talk about halting programmes for periods in times of market stress.

Representative Edward Markey, Telecommunications and Finance Sub-committee chairman, said last week that he was considering legislation which would mandate the Securities and Exchange Commission to design a series of precise "circuit breakers" which would temporarily halt index arbitrage.

He said that the 10 to 15 large houses which use this strategy needed to be disciplined and would "know that they could not just push a button, escape, and leave everyone else behind in a panic to absorb all the losses."

Mr Markey's sub-committee is pushing ahead with its Stock Market Reform Act 1989, which would require securities houses to report large trades (plainly programme trades) to the SEC and ensure that the commission had access to information about the financial condition of broker-dealers.

A similar Bill is being championed by Senator Donald Riegle, chairman of the powerful Senate Banking Committee.

The dynamics of the market reform debate have changed in the two years since the 1987 Crash. Two differences can be identified. The first is a change of personnel in key political and regulatory positions: the second is that with some market reforms already in place, some argue that enough has been done to protect the securities markets.

The changes of people in key positions are fascinating. Under the Reagan Administration, Mr James Baker, then Treasury Secretary, stood resolutely for free markets and anti-regulation while Mr David Ruder, then SEC chairman, argued strongly for tighter regulation and more power for the Commission.

Mr Ruder's views were shared by Mr Nicholas Brady, who wrote a pro-regulation study of the Crash – but he is now Treasury Secretary in a free market administration, as far as one can tell.

To complete the ideological switch, Mr Richard Breeden, the SEC chairman sworn in two days before last month's "mini crash," is clearly not keen to see more regulatory intrusions on the market.

Mr Breeden supports most of the provisions of the Senate and House reform Bills.

However, he does not advocate increased authority for the SEC to call market halts. He argued that any hint of a possibility that the market would be closed on an ad hoc basis would be destabilising.

The tensions between the various key figures were evident last week, when several testified to Congress.

Mr Brady supports ultimate power for the SEC: Mr Breeden does not. Watching an SEC chairman argue against increased authority last week was strange indeed but, on this issue, not surprising.

Mr Breeden is inextricably linked through the Reagan/Bush political continuum and, as such, is ideologically opposed to any more regulation than is necessary. His views, backed up by the relatively smooth way the markets coped with the volatility of the last two weeks, may weigh against radical reform for the second time around.

EXCHANGE REVIEWS TRADING RULES

THE BOARD of governors of the New York Stock Exchange will discuss today how the exchange can respond to widespread criticism of programme trading.

Mr John Phelan, NYSE chairman, said that the board would re-examine its current rules providing for temporary halts in trading known as circuit breakers and look at other short-term measures to curb volatility.

Mr Phelan discussed programme trading at a closed meeting yesterday of the House Telecommunications and Finance sub- committee. He said this week that volatility related to programme trading, if it kept up long enough, could destroy the markets as a capital raising mechanism.

Swaps court ruling puts London market in a spin

By Rachel Johnson in London and Janet Bush in New York

UK GOVERNMENT bonds lost a point on the news that interest rate swaps between a London local authority and 70 banks had been declared illegal, and the market braced itself for a wave of gilt selling after yesterday's ruling by a High Court judge.

"This is a unique situation. It will take days or weeks for the market to react to this," said the head of gilt sales at Barclays de Zoete Wedd.

No expectations had built up in advance of the ruling, but market-makers on the whole were not caught long on gilts and so initially there was not much selling pressure. However, the implications of the ruling have barely begun to be digested by the banks, many of which had hedged their positions on the swaps and other "exotic" transactions with positions in gilts.

This, according to some estimates, means the market could face the sale of between £1bn and £1.5bn of short-dated gilts, as the counter parties on the illegal swaps sell the stock they had bought for hedging.

The futures market was most reactive on the news. The price of the best indicator, the long gilt future, fell ¾ before stabilising at 92. The situation was described as "panicky amid extremely thin trading."

However, most individual institutions appear to be waiting for investment committees to meet before they take decisions to shed stock. At the close, the benchmark Treasury 11¾ 2003/07 bond fell ¾ to 111.02.

■ The All Saints holiday yesterday made for a quiet day in European markets. In Germany, government bonds were fixed 15 to 20 pfennigs down and trading was thin. The Bundesbank invited bids for DM21bn in a repurchase, while about DM20bn expired, leaving DM1bn of liquidity. The terms of today's new Federal bund continued to dominate trading expectations.

■ US Treasury bonds were quoted modestly higher at mid-session yesterday as traders digested two key reports on economic activity from regional Federal Reserve banks and US purchasing managers.

At mid-session, the benchmark long bond was quoted ⅛ point higher to yield 7.90 per cent.

The Fed's Tan Book, used as a guide to monetary policy in the Federal Open Market Committee, reported slow to moderate growth in most districts and generally stable prices. Any upward pressure on prices is moderate.

The purchasing managers' index rose to 47.6 per cent in October, up from 46 per cent in September. This is the sixth consecutive month of decline in the manufacturing economy but the second month in which the rate of slowdown was less than the previous month. The purchasing managers reported a decline in prices for the fifth consecutive month.

Overall, the reports published yesterday seemed to support the view that the economy is heading for a soft landing rather than recession. It is not easy to tell whether the economy is deemed soft enough for the Fed to ease monetary policy.

The bond market is now focused on the Federal employment data due tomorrow.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	104-22	-6/32	11.55	11.37	11.71
		9.750	1/98	95-03	-10/32	10.88	10.45	10.67
		9.000	10/08	93-25	-13/32	9.72	9.53	9.81
US TREASURY *		8.000	8/99	100-20	+4/32	7.90	7.84	8.28
		8.125	8/19	102-17	+6/32	7.90	7.88	8.23
JAPAN	No 111	4.600	6/98	94.9252	-0.198	5.47	5.36	5.22
	No 2	5.700	3/07	103.5260	0.000	5.31	5.23	5.10
GERMANY		6.750	6/99	97.1500	-0.350	7.16	7.01	7.04
FRANCE	BTAN	8.000	7/94	94.7805	+0.055	9.40	9.24	9.17
	OAT	8.125	5/99	94.9900	+0.100	8.92	8.78	8.90
CANADA *		9.500	10/99	100.0250	-0.125	9.49	9.41	9.78
NETHERLANDS		7.250	7/99	97.9300	-0.270	7.55	7.41	7.42
AUSTRALIA		12.000	7/99	91.5650	-0.145	13.58	13.70	13.86

London closing, *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

Euro-issue pipeline shows clear signs of refilling

By Andrew Freeman

THERE WAS A sharp upswing of optimism among Eurobond syndicate managers yesterday. Despite a continuing lack of new issues, officials reported the presence of several potential borrowers and said the next two weeks should see vigorous issuance.

Among possible mandates are dollar deals for Belgium and New Zealand, while French government agencies and a few US corporates are also interested. Sears is said to be bringing a $300m five-year credit-card backed issue in around three weeks' time, following an investor roadshow next week.

The problem for issuing houses is that swap opportunities in the dollar sector are few and far between, while the wider tone of the dollar market is currently dominated by the possibility of the easing of US interest rates. Borrowers with aggressive swap targets may find it hard to do business.

On the secondary market, the World Bank global bond issue continued its strong performance over the last few days. Monday's spread against Treasuries of 37 basis points has narrowed impressively to 33 basis points amid good buying from Canada.

Spreads against UK government bonds of Euro-sterling issues were at record wide levels, with traders saying there had been a significant tiering of the market in recent sessions. Evidence of the weakness of corporate issues is stark.

For example, the British Airways 10⅞ per cent issue due 2008 was trading at a spread of 228 basis points, while the Pearson 10½ per cent issue of the same maturity was 265 basis points over the gilt.

By contrast, the World Bank 9¾ per cent deal due 2007 was on a spread of 77 basis points, and the Electricité de France 10¾ per cent 2009 issue was 91 basis points over the gilt. Both spreads have actually tightened over the last four months.

On a quiet primary market, Daiwa Europe launched a successful deal with equity warrants for Heiwado, the Japanese regional supermarket group.

The bonds met strong demand. Daiwa was quoting the paper at 104¼ bid, a fine premium to the par issue price.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Heiwado Co.♦	100	(3⅞)	100	1993	2¼/1½	Daiwa Europe
Japan Storage Battery(a)♦◆	100	3⅞	100	1993	2¼/1½	Nikko Secs. (Europe)
SWISS FRANCS						
Mitsubishi Pencil Co.(b)★★§	60	¼	100	1993	n/a	UBS
Takashima and Co.(c)★★§	50	(¼)	100	1994	1½	Yamaichi Bank (Switz)
Koizumi Sangyo Co.(d)★★◆	20	6½	99½	1996	1⅝	Dai-Ichi Kangyo Bank
YEN						
SIGAB(d)◆	20bn	6	101¼	1994	1⅞/1¼	Mitsui Finance Int.
Svenska Handelsbanken(e)◆	5bn	(e)	100⅞	1990	⅞/½	Nippon Credit Int.

★★Private placement. ♦With equity warrants. §Convertible. ◆Final terms. a) Coupon cut by ½% from indication. b) Yield to put 3.422%. c) Indicated yield to put 3.428%. d) Non-callable. e) Launched in three tranches, Y2.4bn, Y1.2bn and Y1.4bn. Coupons between 6½% and 10%. Redemption linked to Nikkei stock index.

OECD sees weaker global markets

INTERNATIONAL financial markets may be losing some of their advantages as domestic capital markets deregulate, according to the Organisation for Economic Co-operation and Development, writes Stephen Fidler.

According to its Financial Markets Trends, published three times a year, certain structural changes may be under way in the international markets, leading to a weakening of activity in most sectors.

Cyclical interest rate and exchange rate factors have also played a part in this slowing of activity.

"The trend toward deregulation of domestic markets, the removal of fiscal and regulatory impediments to financial activity and the development of new financial techniques in many national market places may be taking away some of the advantages of the international markets and thus inducing some business to return to the domestic markets," it said.

Activity on the international financial markets remained close to the high levels of 1988 in the first eight months of the year, but that masked a drop in activity in some sectors, the OECD said.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Wednesday November 1 1989

Figures in parentheses show number of stocks per section

1 CAPITAL GOODS (208); 2 Building Materials (29); 3 Contracting, Construction (37); 4 Electricals (10); 5 Electronics (30); 6 Mechanical Engineering (54); 8 Metals and Metal Forming (6); 9 Motors (18); 10 Other Industrial Materials (24); 21 CONSUMER GROUP (184); 22 Brewers and Distillers (23); 25 Food Manufacturing (20); 26 Food Retailing (14); 27 Health and Household (14); 29 Leisure (34); 31 Packaging & Paper (15); 32 Publishing & Printing (18); 34 Stores (32); 35 Textiles (14); 40 OTHER GROUPS (93); 41 Agencies (17); 42 Chemicals (22); 43 Conglomerates (13); 45 Transport (13); 47 Telephone Networks (2); 48 Miscellaneous (26); 49 INDUSTRIAL GROUP (485); 51 Oil & Gas (15); 59 500 SHARE INDEX (500); 61 FINANCIAL GROUP (121); 62 Banks (9); 65 Insurance (Life) (8); 66 Insurance (Composite) (7); 67 Insurance (Brokers) (7); 68 Merchant Banks (11); 69 Property (49); 70 Other Financial (30); 71 Investment Trusts (68); 81 Mining Finance (1); 91 Overseas Traders (7); 99 ALL-SHARE INDEX (697)

FT-SE 100 SHARE INDEX♦

FIXED INTEREST

PRICE INDICES: British Government — 1 Up to 5 years; 2 5-15 years; 3 Over 15 years; 4 Irredeemables; 5 All stocks. Index-Linked — 6 Up to 5 years; 7 Over 5 years; 8 All stocks. 9 Debentures & Loans; 10 Preference.

AVERAGE GROSS REDEMPTION YIELDS: British Government — Low Coupons, Medium Coupons, High Coupons (5, 15, 25 years); Irredeemables. Index-Linked — Inflation rate 5% (5 yrs, Over 5 yrs); Inflation rate 10% (5 yrs, Over 5 yrs). Debs & Loans (5, 15, 25 years). Preference.

♦Opening index 2146.0; 10 am 2145.1; 11 am 2151.8; Noon 2155.2; 1 pm 2157.4; 2 pm 2158.7; 3 pm 2160.4; 3.30 pm 2160.8; 4 pm 2161.6. (1) 4.34pm (b) 9.36am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p. CONSTITUENT CHANGE: Lawrie Group (91) has been deleted.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	92	10
Corporations, Dominion and Foreign Bonds	2	14	26
Industrials	542	255	799
Financial and Properties	196	110	368
Oils	32	14	48
Plantations	2	0	8
Mines	40	47	84
Others	109	44	104
Totals	924	576	1,447

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

A Amalgamated dividend. b Figures based on prospectus or other official estimates. c Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Assumed dividend and yield. F Dividend and yield exclude special payment. H Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. M Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1989-90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. T Figures assumed. W Pro Forma figures. Z Dividend total to date. ¶ Placing price. P Price not issued. Introduction. Offered by tender. Allotment letters. Issued by way of capitalisation. Reintroduced. Issued in connection with reorganisation merger or takeover. Allotment price. Unlisted securities market. Official London Listing. Third Market. Issued as units comprising 12 ord & 5 warrants attached.

TRADITIONAL OPTIONS

- First Dealings Oct 23
- Last Dealings Nov 3
- Last Declarations Jan 25
- For settlement Feb 5

For rate indications see end of London Share Service

Calls in Chill Rec, London Secs, Conrad, Jaguar, Tuskar Res, Monument Oil & Gas, Cowie (T), Kalt Energy, Medinace warrants.

LONDON TRADED OPTIONS

It was another dull session for the London Traded Options Market as equity activity remained slow amid uncertainty over the UK stock market's direction. Unusually slack trading in the FT-SE 100 index option reflected the market's nervousness as well as a traditional lull that follows expiry of the previous month's series.

Trading in individual stock options was modest, but Jaguar options grabbed some attention. After Tuesday's announcement that the UK Government will give up its "golden share" in Jaguar, paving the way for a takeover of the luxury car maker, traders rushed to take profits on their positions.

Total turnover on the LTOM reached a modest 26,263 contracts, marking a steady decline from the beginning of the week when volume has fallen from 28,513 on Monday and 27,136 on Tuesday.

Volume was heavier in call options with 18,131 contracts traded while 8,132 put options changed hands. In a reflection of the low turnover, open interest, a measure of the number of option contracts outstanding, fell to 750,628 on Tuesday from Monday's level of 782,938.

Apart from activity in the four most active stock options, the market was remarkably quiet with hardly any other options trading over 1,000 contracts.

The major excitement of the day was an unsuccessful bid by a big UK brokerage house to deal in up to 10,000 FT-SE 100 index options.

The attempt fell flat when market makers in the FT-SE 100 index option could not provide the options since they failed to acquire enough futures contracts to cover their exposure.

As traders held back from the options market amid fears that the UK stock market's current rally could be shortlived, implied volatility, the options market's perception of volatility in underlying stocks, was at an unexciting 16 per cent for November and 19 per cent for next month.

Turnover in the FT-SE 100 contract languished at 5,623 contracts of which 2,760 were calls and 2,783 were puts.

FT-SE INDEX (*2162)

November 1 Total Contracts 26,263 Calls 18,131 Puts 8,132
FT-SE Index Calls 2760 Puts 2763
*Underlying security price. † Long dated expiry months.

UK COMPANY NEWS

Profits advance to £13.3m with more than half earned overseas

Fenner offers to be Armstrong white knight

By Clay Harris

JH FENNER (Holdings), the Hull-based power transmission and conveyor belting engineer, said yesterday it had offered itself as a white knight to Armstrong Equipment, the fasteners manufacturer facing a £96m hostile bid from Caparo Group.

Fenner also reported a 24 per cent increase in pre-tax profits to £13.31m for the year to September 2 and said it saw so sign yet in its own UK business of a downturn in demand.

Mr Peter Barker, chairman, said his company wanted to distribute Armstrong's fasteners through its growing international network. Although Armstrong so far was committed to maintaining its independence, Mr Barker said he believed the door was still open to a deal.

Fenner has built up a 6.28 per cent stake in Armstrong, in part through an attempted market raid. Mr Barker refused to say whether Fenner was willing to accept an offer from Caparo at any price or what, if anything, would prompt Fenner to enter the arena itself.

Fenner's pre-tax advance from £10.72m was achieved on turnover up 10 per cent at £194.52m (£176.27m). Interest payable was £3.57m (£3.12m).

Earnings per share rose by 20 per cent to 20.29p (16.9p adjusted for a rights issue in May), and a final dividend of 4.9p (4.5p) raises the total to 8.1p (7.5p). Fenner plans to introduce a scrip alternative.

Although the company does not provide a geographical or divisional breakdown until its annual report is published, Mr Barker emphasised that more than half its turnover and profits came from outside the UK.

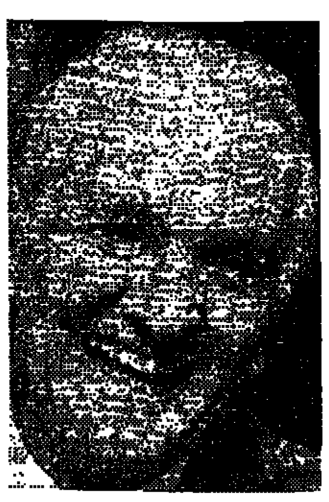
This would insulate it from difficulties in the UK economy. Moreover, he said, "any devaluation of sterling strengthens Fenner's position, not that we are advocates of an ever depreciating currency."

In the UK itself, Mr Cris Wilson, managing director of the power transmission division said, "So far there has been no evidence whatsoever of any downturn in volumes or erosion of margins." The company said, however, that because many of its products come late in the investment cycle, it would lag any downturn by six to nine months.

Fenner reported an improvement from its 35 per cent owned Indian associate after its local partner, JK Industries, took over management of the operation. A local stock market flotation is likely within two years.

● COMMENT

With recession feared, Fenner is keen to distance itself from the pack of UK manufacturers. It points to its overseas earnings, the beneficial effect of a falling pound, its buoyant order book, the important role of replacement sales, and its confident investment programme. So far, the market appears unconvinced – Fenner has underperformed the FT-A All Share by 8 per cent since mid-October. This in part reflects uncertainty about its intentions towards Armstrong. But all the signs are that Mr Barker will not be tempted to overpay, and certainly not to launch a hostile bid itself. If Armstrong survives, there is no reason why the two companies should not reach a mutually beneficial distribution arrangement. Fenner should increase pre-tax profits to £16m. But the full-year effect of the shares issued in the May rights issue will limit eps growth. The shares, up 8p to 153p, trade on a prospective p/e of 7.5, where they do not appear expensive.



Peter Barker: wants to distribute Armstrong fasteners

Meggitt and USH call a truce over £104m takeover battle

By Andrew Bolger

PEACE BROKE out yesterday in the acrimonious £104m takeover bid launched by Meggitt, the specialist engineering group, for United Scientific Holdings, the defence contractor.

However, Meggitt continued to insist that it would be prepared to abandon its bid unless it received satisfactory financial information from USH, in spite of the fact that on Tuesday it had received acceptances from shareholders representing 49.94 of USH's equity, and said yesterday that the acceptances had continued to roll in.

The board of USH met yesterday to consider Meggitt's request for information, but issued no statement. Advisers from both sides were in contact to establish the confidentiality of any information which USH hands over.

Mr Ken Coates, Meggitt's managing director, said he and Mr John Robertshaw, USH's chairman, had a friendly telephone conversation on Tuesday night in which Mr Robertshaw had offered his congratulations.

Mr Coates said he was now anxious to lower the temperature of the situation, end the trading of invective and get round a table with USH to establish its financial position.

It seems likely that Meggitt will proceed with the acquisition, unless it discovers some sort of "black hole" in USH's books during its investigations. Meggitt is particularly concerned to establish USH's gearing and current trading position.

Mr Nigel McCorkell, Meggitt's finance director, said: "The Takeover Panel would not allow us to sit for weeks and weeks looking at the books. We just want to make sure there is nothing terribly wrong."

Meggitt has said its offer is final but again extended it until 3pm on Friday, by which time it should have acceptances representing a substantial majority of USH's shares.

Meggitt's shares closed yesterday at 88p, down 3p. At that price, its partial cash alternative values each USH share at 142p. USH shares closed at 127p, down 4p.

● Meggitt announced yesterday that it had paid BICC, the international cables and construction group, £4.9m in cash for BICC-Citec, an electronic components manufacturer based in Swindon.

Citec, which employs 150 people, makes variable resistors for large motor manufacturers such as Ford. Meggitt said Citec fitted in well with its electrical components businesses which, including its Spanish subsidiary, reported a turnover of £30m last year.

Armstrong resolution defeated

By Ray Bashford

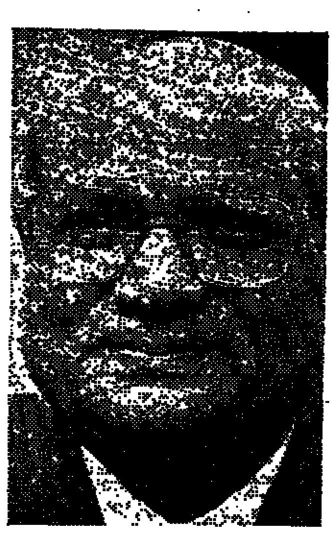
CAPARO, the private holding company which is bidding for Armstrong Equipment, yesterday defeated a proposed special resolution at the annual general meeting of the industrial fastener and engineering group.

The resolution would have given the Armstrong board the power to issue up to 17.7m shares which would represent 25 per cent of the enlarged capital.

Mr Roy Watts, the chairman of Armstrong, said the resolution was similar to those approved at the past two annual meetings and was not part of the company's takeover defence against Caparo which has a 29.3 per cent stake in Armstrong.

"This [the defeat at the poll] is no more than an irritant and in the short term does not affect our plans. It is merely a tactical move by Caparo and is to be deplored," the chairman said.

Shareholders with 29.2 per cent of the capital voted against the resolution and those with 14.6 per cent in favour.



Swraj Paul – holding could be diluted to about 25 per cent

Mr Swraj Paul, who heads Caparo, said that if the Armstrong directors were to exercise the power provided to them through the resolution they would dilute his holding to between 24-25 per cent of the capital.

"They should not attempt to tamper with the share structure of the company at this sensitive time," he said.

Caparo had received a weak response from shareholders to the offer by the first closing date but is planning to intensify its lobbying of institutions as the offer moves towards its final closing date on November 25.

Armstrong has until Friday to issue new financial information to shareholders.

Mr Watts told the 100 shareholders at the meeting that the company planned to continue expansion through the existing structure but repeated that the company was also considering making an acquisition.

The company would be able to fund a purchase through the funds received from the sale of the suspension business, believed to be in excess of £45m.

"The first three months since July show good progress and we remain confident of the group's prospects for the year as a whole," he said.

Midsummer buys clubs and pubs from Mecca

By David Churchill, Leisure Industries Correspondent

MIDSUMMER LEISURE, the pubs, discos, and snooker clubs group, yesterday acquired 11 discos and two pubs from Mecca Leisure in a deal worth £4.25m.

The clubs and pubs are spread throughout the UK, and Midsummer expects them to make an "immediate contribution to earnings."

Mecca, the UK's leading operator of nightclubs and discos, said yesterday that the sale was part of the rationalisation following the takeover of Pleasurama last year.

Mr Michael Guthrie, Mecca's chairman, said the deal was a tidying up operation. "The clubs being sold are largely smaller discos, while our strategy is to go for the larger and more ritzy type of nightclub."

Last month Midsummer bought two discos and four pubs/restaurants from Leading Leisure for £5.2m.

Midsummer said yesterday that it had bought a total of 15 discos, three bars and three pubs in recent months and had a "number of other opportunities under review".

Stora seeks London quote

STORA of SWEDEN has applied for its B free shares to be traded on the London and Frankfurt Stock Exchanges. Trading is expected to commence on both exchanges on November 7. The shares are currently quoted on the Stockholm Stock Exchange.

The company, which manufacturers forest products, pulp, paper and newsprint, has its headquarters in Falun, Sweden, and had turnover in 1988 of SKr34.26bn (£3.1bn) and profits of SKr3.7bn. Earnings per share have grown from SKr19.7 in 1986 to SKr29.7 in 1988 and dividends per share from SKr6 to SKr10 over the same period.

Profit after financial income and expenses for 1989 is forecast to be approximately SKr4bn, an increase of about 10 per cent above 1988.

See Observer p24

Rechem nears £5m midterm

By Vanessa Houlder

RECHEM Environmental Services, the toxic waste disposal group, yesterday announced a 29 per cent rise in pre-tax profits to £4.67m for the six months to end-September. Turnover increased by 19 per cent to £10.72m.

Mr Richard Biffa, chairman, said the company had suffered relatively little disruption in the summer when Canadian waste destined for Rechem was turned away from UK ports.

"We did not relish the publicity but it had the effect of highlighting the very real problems of toxic waste," he said.

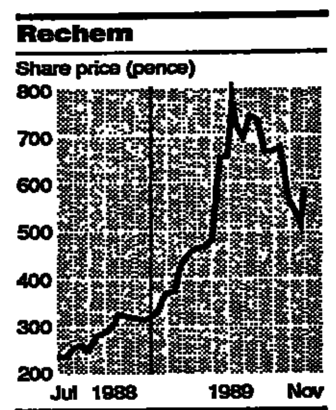
The company said it was continuing to negotiate for the establishment of an incinerator complex in Europe. In the last half year it had established a landfill operation for the disposal of non-hazardous waste although this was not expected to make a contribution this year.

The group had net cash at September 30 of £5.8m (£4.9m).

Earnings per share rose by 33 per cent to 11.4p and the interim dividend is being by 1p to 3.5p.

● COMMENT

Rechem has few rivals when it comes to demonstrating the ups and downs of being an "environmental" stock. As might be expected for a company that calls its landfill operation terramicus (Latin for friends of the earth) and sports the founding director of Friends of the Earth on its board, Rechem claims good "green" credentials. These have stood it in good stead in the face of tightening legislation and have contributed to a threefold rise in the share price since it joined the market 18 months ago. But the drawbacks of being in the environmental spotlight were vividly displayed this summer when ships carrying toxic waste destined for Rechem were returned to Canada. Its vulnerability to public opinion can also be seen in a fiercely fought local campaign about its incineration plant at Pontypool and the difficulties of obtaining planning permission throughout Europe. That is why an announcement by the Welsh Office this week that it could find no trace of polychlorinated biphenyl contamination around its plant sent its share price soaring from 518p to 590p, where it remained yesterday. At that level, the shares are on a p/e multiple of 23 assuming profits before tax of £11m this year. That seems about right but the potential public relations problems mean that Rechem's investors should brace themselves for a possibly bumpy ride.



Blue Arrow unveils West German acquisition

By Ray Bashford

BLUE ARROW, the world's largest employment agency, has paid DM21.59m (£7.44m) for Manpower Planen & Leisten Unternehmen Fur Zeitpersonal, the company's licensee in West Germany.

The purchase gives Blue Arrow, through its Manpower subsidiary, ownership of all its European Community businesses and strengthens its position in an important European market, Mr Mitchell Fromstein, Blue Arrow chairman said.

Planen & Leisten operates 26 Manpower offices, which this year are expected to return pre-tax profits of £1.72m.

Mr Fromstein said the acquisition would result in a "modest incremental earnings increase" in the short term, although a "significant" improvement was expected to follow.

The German company has revenue of £24.48m as a Manpower licensee, and has contributed 4.4 per cent of that as licence fees to group income.

Blue Arrow expects income from the sales base to double, which should add between 30 and 40 per cent to group profits after allowing for interest costs associated with the purchase.

"The real opportunity for the future, however, lies in an aggressive expansion of the German market at those profit margins. We are likely to reinvest much of the profit increase in new offices," Mr Fromstein said.

Metsec open share offer flops

Only 1.3 per cent of the shares in Metsec's £4.07m open offer have been have subscribed for by shareholders.

The share issue was firmly placed with investors at 198p by Albert E Sharp, but subject to clawback on a one-for six basis. From 205p on October 10, when the offer was announced, Metsec shares have fallen to 185p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Ashley Group	fin	0.75	Jan 31	-	1.25	-
Bradford Prop	int	1.5	Jan 5	1.3	-	2.8
Bridport-Gundry	int	5.1	Jan 31	5.1	7	7
Cook (William)	int	4.5†	Jan 3	2.75	-	9
Fenner (JH)	fin	4.9†	Jan 22	4.5	8.1	7.5
Fundinvest	fin	6.55	-	5.692	11.01	9.57
Keystone Inv	fin	7	-	6	10	8.5
New Ireland	fin	3	-	nil	-	9.31
Office and Elec	int	0.1	-	0.1	-	0.2
Powerscreen Intl	int	1.45	Jan 9	1.2	-	4.2
Prowting	int	1.7	Dec 11	1.7	-	5
Rechem	int	3.5	Dec 20	2.5	-	8.5
Reed Intl	int	4.6	Jan 9	4	-	12
Sec Tst of Scot	int	0.9	-	0.75	-‡	2.25*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡Final 1.8p forecast.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- British-Borneo Petrol Syndicate, Burtonwood Brewery, Fleming Far Eastern Inv Trust, NFC, Thorpac, Warford Inv, Westbury.

Finals- Ofi (Holdings), Low (Wm), MMT Computing, Smart (J).

FUTURE DATES

Interims-

Aberdeen	Dec. 15
South Irish	Nov. 9
Cabra Estates	Nov. 28
City Gate Estates	Nov. 9
Falcon	Nov. 8
Glaxo	Nov. 14
London International	Nov. 7
Property Partnership	Nov. 15
Rolls & Nolan Computer	Nov. 8
Shaw (Arthur)	Nov. 17
Tay Holdings	Nov. 27
Trimoco	Nov. 9

Finals-

Bellway	Nov. 8
Drayton Consolidated Tst	Nov. 8
Riva	Nov. 9
Tottenham Hotspur	Nov. 3

UK COMPANY NEWS

Reed falls to £127.8m as realignment skews result

By Nikki Tait

REED INTERNATIONAL, the publishing and information group, yesterday announced a dip in pre-tax profits for the six months to October 1, from £133.2m to £127.8m. Turnover fell from £905.2m to £723m.

The figures, however, were distorted by a number of factors. These included the impact of acquisitions and disposals as the company moved out of manufacturing to become a pure publishing group; currency gains; and a pension fund holiday.

With analysts generally upgrading full-year forecasts yesterday – and helped by a 15 per cent interim dividend increase to 4.6p – the shares gained 15p to 397p.

At the operating level, profits from continuing activities rose from £71.8m to £111.6m. The European business publishing division made £28.6m (£19.5m); the US business publishing interests £28.5m (£19.7m); books £30m (£17.6m); and consumer publishing £34.5m (£15m).

Acquisitions made during the first half chipped in £12.9m – with Midem, the French exhibitions business, making a small loss, and contributions coming from Independent Television Publications, publisher of the TV Times, and the former News Corporation travel and electronic publishing interests, both bought in June.

Reed said that the effect of complying with SSAP 24, the new pensions accounting standard, also increased first-half operating profits by £8.4m, and that there was a £3.5m benefit from a favourable currency translation.

In the first half of 1988, however, the company enjoyed operating profits of a further £34m from activities no longer part of the group.

Exceptional profits in the first half also showed a sharp fall – down from £24.8m to £6.4m – relating to the Press Association dividend.

In the second half, however, Reed expects to add nearly £20m to exceptional items, via a sale and leaseback deal on its head office building in London's Mayfair.

Interest earned rose from £2.6m to £9.8m, although the recent spate of acquisitions has meant that net debt of around £250m has now replaced Reed's previous cash pile. The company said that around 40 per cent of annual profits now fall outside the UK, and although the target is around 50 per cent, no major acquisitions are expected in the near term.

Earnings per share slipped from 17.3p to 16.3p.

The company said that it was "cautiously optimistic" about the second half, conceding that the short-term outlook for consumer markets in the UK was not encouraging, but pointing to the group's overall spread of business.

See Lex

York Trust has 29.8% of ICH

By Nikki Tait

YORK TRUST, the USM-quoted financial services group, yesterday said that it had snapped up a 29.8 per cent stake in International City Holdings and confirmed that it was holding talks with the money and foreign exchange broker about a possible full offer.

The stake has been acquired largely from Throgmorton Trust, the investment trust, at 60p per share. Throgmorton has sold 17.7m shares, plus a further 1.2m from other interests under common investment management – in total 27.8 per cent. With shares already owned, this takes York to just under the 30 per cent level.

The sale crystallises a significant loss for Throgmorton, which bought its holding at 192p per share. However, the trust's managers said yesterday that the sale had been made "after careful consideration of possible purchasers and discussions with ICH's management."

York, which is funding the £11.3m purchase with additional borrowings, said that its own money-broking operation – Babcock & Brown – would enter a two-year correspondent relationship with ICH's Fulton Prebon business. This relationship, to exploit the two companies' different geographical and product strengths, would continue whether or not a full bid emerged.

Yesterday, Mr Michael Warren, ICH chairman, said that the details of the co-operation were still being discussed.

On the matter of a possible full bid, York warned that no further announcement was expected for "a number of weeks." Both parties maintained yesterday that there were various matters to be considered. York's advisers said their client had to decide what any further financial commitment would achieve.

If York did make an offer, it would be obliged to provide a full cash alternative of at least 60p per share. The company is currently capitalised at £35.5m, against £36.7m for ICH, with ICH shares down 2p at 54p yesterday. York had gearing of more than 100 per cent at the March year-end, and funding would need to be arranged – although the group's advisers seemed relatively confident on this point yesterday.

York's purchase of the Throgmorton stake comes in the wake of an announcement last week by Domeaction, a newly-formed company representing two individuals with a background in money broking, that it was interested in discussing with the ICH board the possibility of making a leveraged offer.

Yesterday, Domeaction said that it was still interested in talking to ICH and "had not gone away," but it acknowledged that the "game has changed." The presence of a potentially obstructive 29.9 per cent shareholder, in particular, could pose problems for any leveraged bidder, given that 75 and 90 per cent acceptance levels become rather more critical in such situations.

Mr Warren added that, while ICH would listen to anything which might be in the interests of shareholders, there had been no renewed approach from Domeaction.

Positioning a complex bulwark to repel the raiders

SeaCon shares hover as its chief reveals his restructuring plan. Andrew Hill reports

MR JAMES Sherwood, president of Sea Containers, sounded yesterday like a man with all the time in the world.

It is an attitude which is unlikely to endear him to the ferry and container group's investors, mostly in the US, who have been waiting more than five months for a concrete response to the hostile $1.02bn bid from Tiphook, a UK container rental company, and Stena, a private Swedish ferry operator.

Mr Sherwood released details of a complex and far-reaching restructuring plan, based on a string of asset disposals, late on Tuesday evening. He beat his self-imposed deadline of the end of October by just one hour in New York.

But US analysts and arbitrageurs seemed less than convinced yesterday that the announcement of the $1.1bn asset sale programme had restored the credibility of the affable Mr Sherwood. The shares continued to hover around the $63 mark in New York – the level at which the Anglo/Swedish bid is pitched – against the proposed $70-a-share buy-back offer.

Investors may be reassured by Mr Sherwood's comments yesterday that firm buyers have been lined up for all the assets mentioned in Tuesday's statement. That should take away one of the imponderables; but several remain.

● Legal action. Mr Sherwood is convinced that the struggle for Sea Containers will now take place on the New York Stock Exchange and via shareholder proxy battles, rather than in the courts, where it has often appeared to be bogged down.

But Sea Containers, registered in Bermuda, is currently restrained from dealing in its own shares, and the chief justice of the Bermudan Supreme Court would have to lift or modify that injunction to let the tender offer alternative go ahead. A decision on the original Tiphook/Stena challenge to Sea Containers' earlier defensive actions is expected on or around November 27.

● Sea Containers' annual general meeting. The whole package of asset disposals and the tender offer is to be put to shareholders at the company's long-awaited annual meeting. Mr Sherwood says the asset sales will be completed the day after that meeting. But when will the meeting take place?

"We would like to have the AGM in the course of the current calendar year, but Bermuda law does allow a grace period of three months," said Mr Sherwood yesterday. If exercised, that would mean a final deadline for the AGM of March 31 1990.

● Stena and Tiphook's reaction. The next closing date for the Anglo/Swedish offer is Friday. Tiphook has already said that it is not prepared to borrow any more to fund its share of the break-up bid, so any increase in the offer would probably have to be funded by Stena.

If the Swedish ferry group decided to raise its bid, Mr Sherwood would have at least $120m of surplus cash from the asset disposals to pour into an increased tender offer for Sea Containers shares. If the bid was left untouched, the predators could still attempt to scupper the Sea Containers alternative in the courts. Tiphook and Stena hinted at that possibility in a letter to the Sea Containers board yesterday.

The Sea Containers alternative itself is more complex than many observers had expected, and the asset disposals more extensive. The plan differs from the original vague proposal of a cash dividend and a stake in the on-going business, in that it should offer all shareholders a chance to sell out of Sea Containers at $70 a share.

Most seem to believe that the bulk of shareholders – assuming they do not opt for the certainty of Tiphook and Stena's cash – will accept the tender offer, rather than clinging on to their holdings. That would leave the excess shares tendered in the hands of more sophisticated investors, prepared to put up with a fairly hefty risk factor.

For Mr Sherwood and his directors the plan is also a satisfying substitute for a leveraged buy-out – one of the options considered by Sea Containers initially. It leaves more than half of the continuing business in the hands of management, subsidiaries or directors, safe from future takeover attempts. The only fly in that ointment would be a court ruling forcing Sea Containers to cancel the shares it already controls as well as the 7m it intends to buy in.

US observers expressed a mixture of admiration and uncertainty about the plan yesterday. Most are waiting for more details of Sea Containers' financial projections. Earnings of $13 per share in 1991 and $16 in the following year were suggested in the original statement and a formal filing to the Securities and Exchange Commission in New York shortly is likely to reveal more about the calculations behind those forecasts.

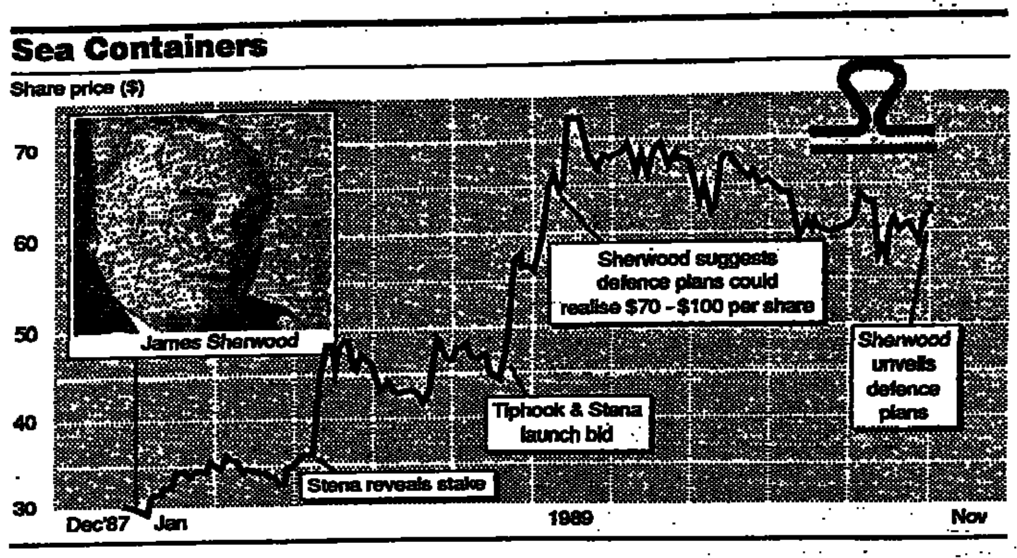
"I think it's classic Jim Sherwood," said Mr Jay Goodgal, a New Jersey analyst and money manager following the bid.

"It's positive in that at last we've got something on the table," said one New York arbitrageur, "and it allows people to get out completely."

Mr Sherwood, at any rate, was unperturbed by the failure of the share price to leap to the level of his promised $70 offer. Five months into the hostile bid he is perhaps the only Sea Containers shareholder whose nerves have not been frayed by the long wait.

"Give it time," he said.

Sea Containers



Development costs hit Chelsea Artisans

Chelsea Artisans, the mirror panelling company traded on the Third Market, incurred a pre-tax loss of £395,000 during the six months to June 30, compared with a £17,000 profit in the previous first half.

Directors said the loss was due to the development costs of Chromatics, a colour-coating process. The company plans to restructure to avoid the distortion of its financial position from developing the process. Turnover was £1.11m (£1.01m). An interim dividend will not be paid.

Draft orders threaten Morland's independence

By Lisa Wood

THE CONTINUING independence of Morland, the Thames Valley brewer in which Whitbread Investment Company (WIC) has a 42.6 per cent stake, could be at risk because of the Government's final draft orders on the brewing industry.

WIC, in a complex formula announced on Tuesday by the Government, could have to cut its stake in Morland to about 30 per cent in order to comply with a ruling in the draft order that seeks to restrict the minority stakes in small brewers held by the larger groups and intermediary companies, such as WIC.

Whitbread and WIC, in which the brewer holds a 49 per cent stake, together hold interests in other regional brewers, including Boddington and Marston, but the reductions in these holdings to comply with the draft order is smaller than that in Morland where the stake is held solely by WIC.

If the holdings are not reduced Whitbread will be penalised. Big brewers have to free of the tie up to 50 per cent of pubs in excess of 2,000.

The Government has ruled that if holdings in smaller brewers are not held at a certain level the smaller brewers pubs will be added to those of the big brewer forcing the latter to lease-out more pubs.

Mr Peter Jarvis, Whitbread managing director, said that the draft orders could entail Whitbread and WIC making some small reductions in their shareholdings in several small brewers.

However, he added that at some time in the near future WIC could have to substantially reduce its stake in Morland. WIC, he said, faced a dilemma because it would wish to maximise returns to shareholders but would not want to make the company vulnerable to a takeover.

Mr Jarvis said: "A 42.6 per cent stake in a brewery with pubs in the Thames Valley would be worth a lot of money. There must be a 100 people out there who would like 42.6 per cent of Morland."

Mr Jaspar Clutterbuck, chief executive of Morland, said he had not yet seen the draft orders, or studied them and it would be highly premature to speculate.

BIA seeks strong partner as losses mount to £4.9m

By Clay Harris

BRITISH ISLAND Airways, the USM-traded charter airline, said last night it was close to an alliance with an unnamed "strong partner" after reporting much steeper interim losses of £4.9m.

An announcement about a capital injection was likely in the near future, BIA said. It is also considering major asset disposals.

Mr Peter Villa, chairman, was not available for comment on the results, which were released after the market closed. Johnson Fry, BIA's financial adviser, would give no further information about the potential partner's identity.

BIA's loss in the six months to June 30 was more than six times the £776,000 reported in the comparable half and £2m more than in the 1988 full year.

The company said the higher loss was principally caused by the severe decline in bookings with tour operators, which led to a large number of cancelled flights.

BIA has sold two of its eight BAC 1-11s for a total of $4m (£2.52m). It said it was obtaining valuations on assets including a freehold property at Gatwick airport, the rest of the BAC 1-11s, options to purchase its MD83 aircraft, and its take-off and landing slots at Gatwick.

Turnover rose by 25 per cent to £24.3m (£19.5m). The loss per share deepened to 27.2p (4.3p). BIA once again paid no interim dividend and warned that it was unlikely to pay a final this year (0.2p in 1988).

Cupid graduation

Cupid, maker and wholesaler of bridal gowns and nursery products, has graduated from the Third Market to the USM.

Bridport-Gundry up 20% at £1m

By Andrew Hill

BRIDPORT-GUNDRY, the specialist netting, thread and webbing manufacturer, increased pre-tax profits by 20 per cent to £1.04m in the year to July 31, against £870,000 in 1987-88.

Mr Pat Darley, appointed chairman a year ago, said the results had been held back by the effect of higher interest rates and the fact that disposals took longer than expected.

Bridport now aims to strengthen its activities in higher technology and added value products, particularly for the civil aviation market.

The company is also hoping to sell surplus properties to reduce borrowings.

Before interest charges of £836,000 (£578,000), Bridport made £1.88m (£1.45m), including a pensions charge of £171,000.

Charterhall, the investment company headed by Mr Russell Goward, the Australian businessman, still holds 25.8 per cent of Bridport's shares.

Earlier this year Charterhall tried unsuccessfully to block resolutions at Bridport's annual meeting, as an indication of its frustration with the group's management.

Mr Darley said yesterday that Mr Goward had not elaborated on his intentions since then.

Turnover was down from £38.7m to £35.1m following disposals, including the sale of Halls Barton, the loss-making ropemaker, completed last month. The future of other subsidiaries would be reviewed if their performance did not improve, said Bridport.

The Halls disposal led to an extraordinary charge of £1.37m (£1.86m). The group loss for the year, after dividend payments, was £1.57m, against a 1987-88 loss of £1.98m. But the proceeds of the Halls sale – about £2.8m – and property profits should halve Bridport's borrowings, taking gearing down to 30 or 40 per cent.

Earnings slipped from 5.76p to 5.05p per share during the year, but Bridport recommended an unchanged final dividend of 5.1p, which keeps the full-year pay-out at 7p.

Prowting looks to land bank for future profits

By Nigel Clark

A FURTHER move upmarket and the ability to maintain the higher prices achieved last year enabled Prowting, the Ruislip-based housebuilder, to limit the fall in its interim profits to 9 per cent to £9.71m despite a 31 per cent fall in turnover.

Mr Terry Roydon, managing director, said that the housing market was likely to remain subdued and the group was looking to making use of its substantial land bank for profits in the medium-term.

Land remained in short supply, he said, and the company held a long, low cost bank. "Recent decisions by the Secretary of State for the Environment demonstrate that new land in desirable areas is becoming ever more difficult to obtain. We therefore see little point in selling too cheaply in order to boost profits and cash in the short term."

The company holds land with planning permission for 5,400 plots and has a further 3,500 potential plots which on the present sales rate of 180 in the six months, against 270, would be sufficient for between 12 and 15 years.

Mr Roydon said that one of the larger sites had been given planning permission for an out-of-town shopping area and permission was being sought for another site. Both of these would be sold to developers.

He added that Prowting would also consider the purchase of other builders if suitable companies became available. He thought that in the present climate there might be an increasing number of such opportunities.

However other strategies such as moving north and increasing its developments in Portugal were discounted. Prowting had been involved in developments in Portugal for a few years but they would not form an important part of the company in the future.

The housing market was unlikely to recover until interest rates were seen to be falling significantly, Mr Roydon said, which was not expected until inflation was controlled. In the meantime building costs were steady which removed one pressure on margins.

In the six months to end-August, pre-tax profits were £9.71m (£10.67m) on turnover of £30m (£43.35m). Operating profit was higher at £11.17m (£11.03m) but the interest charge was up from £352,000 to £1.45m.

The average price of houses sold in the period was £150,000 compared with the average for the previous year of £107,000.

After tax of £3.31m (£3.94m) earnings per share were 9.5p (11.7p). The interim dividend is maintained at 1.7p.

Yorkshire TV buys back own programmes from Palladium

By Raymond Snoddy

YORKSHIRE Television said it had reached agreement in principle to buy back 2,500 hours of television programmes it itself produced between 1968 and 1981.

The programmes, which range from Alan Whicker documentaries and drama such as Hadleigh to comedies such as Rising Damp, are being bought from Palladium Entertainment of the US, a company run by Mr Gary Dartnall, former head of Thorn EMI Screen Entertainment.

The bulk of the purchase is made up of programmes made when both Yorkshire and neighbouring contractor Tyne Tees operated as independent programme-making arms of holding company Trident Television.

Yorkshire Television began the current franchise period in 1981 with nothing in its library.

Mr Clive Leach, Yorkshire managing director, said that the portfolio of programmes was now back where it belonged and "Yorkshire is in its rightful place as one of the biggest UK dealers in the international market."

Yorkshire did not disclose the price of the deal.

Palladium said it had decided to sell because it was now concentrating on new programmes for the US and European markets.

SmithKline Beecham gets drug booster

SmithKline Beecham, the Anglo-American drugs company, was given a boost after a US Government advisory committee recommended marketing approval for Eminase, an important product under development by the group for treating heart-attack victims.

Analysts believe the drug could produce annual sales of up to $200m (£127m) a year by the mid-1990s. Yesterday's announcement by an advisory committee of the US Food and Drug Administration strengthened the possibility that SmithKline will be able to start sales of the product next year in the US, the world's biggest medicines market.

The recommendation by the committee is not binding and the FDA said yesterday it could not give a date for deciding the matter.

Treatment of heart-attack victims with drugs such as Eminase, which dissolve blood clots, is a relatively new area of therapy. Some drug-industry observers think the products will lead to a large amount of new business for the sector.

Shandwick buys Nationwide PR

SHANDWICK has conditionally agreed to acquire Nationwide Public Relations, the holding company of PR Consultants Scotland (PRCS).

Shandwick has also acquired the operations of the Presko Group in South East Asia which includes full service public relations consultances in Thailand and Malaysia.

Initial consideration for Nationwide, which reported pre-tax profits of £245,000 for the year to March 31 1989 on operating income of £1.9m, is £1.51m, comprising £773,000 cash and an issue to the vendors of 578,125 Shandwick shares.

Further performance related consideration may become due but the total will not exceed £5m.

Consideration for the Presko Group, which has warranted pre-tax profits of $600,000 (£379,000) and $880,000 for the years December 31 1990 and 1991 respectively, is an initial $4m cash from Shandwick's own resources. Further performance related payments may become due but the total consideration will not exceed $15m (£9.5m).

Director resigns at Federated Housing

Mr Keith Palmer has resigned as managing director of Federated Housing, the Kent housebuilder.

Mr Peter Meyer, chairman, will also act as managing director for the foreseeable future. The company said yesterday: "Mr Palmer lives in the West Country and wishes to spend more time in this area."

TI out of smoke with sale of Nihon stake

By Clay Harris

TI GROUP has completed its exit from automotive exhaust manufacturing with the sale of its 50 per cent stake in TI Nihon, the dedicated supplier to Nissan's assembly plant at Washington, Tyne and Wear.

Calsonic, formerly Nihon Radiator, is TI's Japanese partner at the plant. It is paying £4m to take full control of the UK operation and a Dutch-based distributor of exhaust systems to the spares market.

Burmah acquires base in Chile

Burmah Oil has entered the Chilean fuels market through the acquisition of a 50 per cent stake in Comar, owner of more than 100 service stations nationwide, for about £6m.

Comar is the only independent fuels retailer in Chile, and has almost 7 per cent of the market. Comar will also distribute Castrol lubricants.

NEWS DIGEST

William Cook ahead to £3.7m

MR ANDREW Cook, chairman of William Cook, the Sheffield-based manufacturer of steel castings, yesterday unveiled a £1.91m advance to £3.74m in pre-tax profits for the half year to September 30.

The group acquired George Blair, a steelfounding and engineering company, for £16.5m in July and Blackett Hutton, a steel castings company, for £1.65m in September.

Mr Cook said the half year results contained only limited contributions from the two companies but added that he was extremely confident of a substantial contribution from Blair over the next six months.

Turnover accelerated from £26.03m to £42.64m and earnings worked through 8.41p higher at 21.54p. The interim dividend is lifted from 2.75p to 4.5p.

Currently, all group companies had satisfactory order books and the plants were running at record activity levels. For the 1988-89 year Cook returned profits of £5.06m from turnover of £58.98m.

Profits setback at Davenport Knitwear

Profits of Davenport Knitwear fell from £414,000 to £76,000 pre-tax for the first six months of 1989 from turnover £430,000 lower at £2.95m.

At the trading level, the company, which manufactures knitted fabrics and garments, ran up a loss of £100,000 compared with previous profits of £256,000. Investment income rose from £214,000 to £226,000.

Tax of £26,000 (£145,000) left earnings per 10p share at 2.88p (15.5p).

For the year 1988 as a whole profits fell to £1m (£1.17m) at the pre-tax level.

Fundinvest nav rises 187.2p to 787.6p

Net revenue of Fundinvest, the investment trust, improved from £1.13m to £1.29m for the 12 months ended September 30, after taking account of a £138,000 rise in tax to £517,000. Gross income rose from £1.65m to £1.98m.

By the year-end net asset value per 25p share had risen by 187.2p to stand at 787.6p. Earnings emerged at 11.01p (9.57p) and a final dividend of 6.55p raises the total from 9.562p to 11.01p.

Securities Trust of Scotland assets up

Net asset value per 25p share of the Securities Trust of Scotland stood at 75.6p at end-September after deducting prior charges at par, compared with 62.6p a year earlier. After deducting prior charges at market value the figures were 75.8p and 62.9p respectively.

For the six months the investment trust lifted net revenue to £5.04m (£3.69m) after tax of £1.88m (£1.39m). Earnings were 1.56p (1.14p) and the interim dividend 0.9p (0.75p adjusted). The directors expect to recommend a final of 1.8p to raise the total by 0.45p to 2.7p.

Modest reduction in OEM deficit

Office and Electronic Machines reduced its interim pre-tax losses slightly. In the six months to June 30 the deficit was £724,000, compared with £738,000 in the first half of 1988. The loss reported for the full year was more than halved from £4.02m to £1.84m.

Turnover at the manufacturing and distribution group fell to £9.21m (£10.02m), but the operating loss from continuing businesses was down to £572,000 (£682,000).

Losses per share were 11.85p (12.08p) and the interim dividend is maintained at 0.1p. There was an extraordinary credit of £1.65m (nil) being the transfer from the revaluation reserve of the surplus from the sale of a warehouse.

J England falls £0.19m into red

J England Group, the produce supplier, convenience foods and fashion garments concern, fell into the red in the half year to July 1 1989 with a pre-tax loss of £192,353, against a £41,263 profit last time. Turnover increased from £1.6m to £1.89m.

Mr David Unwin, chairman, said the results reflected the costs incurred in opening the new production facilities in Telford and Bristol and were in line with projections.

Growth potential had now been enhanced on existing operations by these moves and provided a sound base for a return to profitability.

Loss per share was 3.18p (0.69p earnings). There is no interim dividend – the last payment was in respect of 1982.

Sharp decline at Bradford Property

The Bradford Property Trust, involved in property dealing and investment, saw a sharp contraction in taxable profits for the half year to October 5.

The outcome – down from £12.55m to £8.12m – was struck on rental income of £5.58m (£4.74m), and reflected profits from sales of dealing properties more than halved at £4.09m (£8.52m).

Sales by dealing companies declined fell from £15.18m to £6.94m.

The group's share of profits from related companies also showed a substantial decline to £80,000 (£520,000).

An interim dividend of 1.5p (1.8p after adjustment for the subdivision of shares in August) is payable from earnings of 3.63p (5.76p) per 5p share.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1988							
1st qtr.	107.5	110.8	31.3	117.0	116.7	2,485	249.9
2nd qtr	108.3	112.4	32.0	118.7	122.7	2,364	255.2
3rd qtr.	110.5	115.8	32.5	120.1	126.9	2,229	244.3
4th qtr.	110.1	117.0	32.4	121.0	155.4	2,101	244.9
November	110.6	116.7	32.4	120.7	145.2	2,105	245.2
December	109.7	116.6	32.3	121.1	181.9	2,037	238.3
1989							
1st qtr.	109.5	118.6	36.7	121.5	126.4	1,952	225.7
2nd qtr.	108.3	118.4	37.5	122.3	132.7	1,834	222.2
3rd qtr.				121.6		1,742	218.3
January	109.8	119.1	35.4	119.5	124.9	1,988	229.2
February	109.3	118.3	35.6	122.1	126.8	1,949	225.1
March	109.5	118.4	36.7	122.8	127.4	1,917	222.9
April	109.2	117.4	38.1	120.9	131.6	1,858	222.1
May	107.8	119.2	37.5	124.5	133.4	1,836	218.2
June	107.9	118.7	37.5	121.6	132.9	1,810	226.4
July	109.5	119.2	38.2	121.9	136.6	1,767	219.9
August	111.1	120.0	38.2	121.6	134.9	1,745	216.7
Sept.				122.1		1,686	218.4

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1988							
2nd qtr	111.5	108.8	108.6	110.1	120.3	100.9	22.3
3rd qtr	113.5	113.9	108.8	114.8	123.7	102.1	20.4
4th qtr	113.7	115.6	105.6	116.8	124.5	101.7	18.4
October	112.9	115.2	108.9	117.0	126.0	101.0	19.5
November	114.2	116.1	107.1	117.9	129.0	101.0	21.4
December	113.8	115.6	105.9	116.0	125.0	103.0	14.2
1989							
1st qtr.	114.3	118.6	104.2	118.3	130.4	99.3	17.9
2nd qtr.	114.8	117.6	102.1	118.8	123.7	98.7	18.5
January	113.8	120.1	104.4	119.0	137.0	99.0	18.6
February	113.7	118.7	104.2	118.0	129.0	100.0	19.4
March	116.3	118.4	104.0	118.0	125.0	99.0	15.8
April	114.7	115.1	104.3	116.6	130.0	99.0	18.4
May	115.1	118.5	100.3	119.0	123.0	99.0	18.6
June	114.5	120.9	100.6	119.0	118.0	98.0	17.5
July	115.3	121.4	102.8	120.0	120.0	99.0	14.9
August	114.6	122.9	105.5	121.0	123.0	96.0	13.6

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1988							
1st qtr.	107.3	118.8	-4,020	-3,061	+720	97.9	44.64
2nd qtr	114.9	128.2	-4,536	-2,781	+965	97.1	48.52
3rd qtr	112.8	134.8	-5,724	-3,410	+627	97.3	50.48
4th qtr.	107.5	134.7	-6,465	-5,365	+389	98.7	51.89
November	108.3	131.3	-1,950	-1,583	+150	98.3	51.84
December	109.6	133.2	-1,815	-1,448	+162	97.5	51.69
1989							
1st qtr.	112.3	140.4	-5,980	-4,777	+241	98.7	50.48
2nd qtr.	114.7	148.2	-5,874	-4,987	+290	98.9	48.67
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL- Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow £m	Cnsmer. credit £m	Base rate %
1988							
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1989							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INFLATION- Indices of earnings (1985=100); basic materials and fuels, wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earn-ings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1988							
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1989							
1st qtr.	105.4	102.6	116.8	111.7	107.8	1,874	97.1
2nd qtr.	108.0	104.4	118.2	114.9	110.2	2,018	93.6
3rd qtr.				116.0	110.7	1,912	91.7
January	104.2	104.0	116.4	111.0	107.4	1,980	97.9
February	104.6	101.9	116.8	111.8	107.7	1,856	97.4
March	107.3	102.4	117.2	112.3	108.3	1,988	95.9
April	107.3	103.9	117.8	114.3	109.6	2,015	95.5
May	107.5	104.7	118.3	115.0	110.3	2,016	94.3
June	109.1	104.7	118.6	115.4	110.7	2,027	91.1
July	110.3	102.5	119.0	115.5	110.1	1,949	92.2
August	108.1	102.6	119.8	115.8	110.6	1,968	91.6
September		103.4	120.0	116.6	111.3	1,893	91.3
October						1,859	89.7

*Not seasonally adjusted
†Net changes in amounts outstanding, excluding bank loans.

PUBLIC WORKS LOAN BOARD RATES

Effective October 30

	Quota loans repaid			Non-quota loans A* repaid		
Years	by EPI†	At††	at maturity§	by EPI†	At††	at maturity§
1			14			14¾
Over 1 up to 2	13⅝	13½	12½	14⅝	14½	13¼
Over 2 up to 3	12⅞	12¾	11⅞	13⅞	13¾	12⅝
Over 3 up to 4	12¼	12⅛	11½	13¼	13⅛	12¼
Over 4 up to 5	12	11⅞	11⅜	13	12⅞	12⅛
Over 5 up to 6	11¾	11⅝	11¼	12¼	12⅛	11¾
Over 6 up to 7	11⅝	11½	11⅛	12⅛	12	11⅝
Over 7 up to 8	11½	11⅜	11	12	11⅞	11½
Over 8 up to 9	11⅜	11¼	10⅞	11⅞	11¾	11½
Over 9 up to 10	11⅜	11¼	10⅝	11⅞	11¾	11⅜
Over 10 up to 15	11	10¾	10¼	11½	11¼	11⅛
Over 15 up to 25	10⅜	10⅛	10	10⅞	10⅝	10¾
Over 25	10⅛	9⅞	9⅞	10⅝	10⅜	10½

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Ashley makes £5.9m in period of change

By Maggie Urry

ASHLEY GROUP, until a year ago a barely profitable shell company, yesterday reported a pre-tax profit of £5.9m for the year to end August.

The company now has two main businesses – food retailing in Spain and window blind merchandising and distribution within and from the UK. The shares rose by 4p to 98p.

Mr Tony Butler, chief executive, said the year had been "one of fundamental change" and profit comparisons were not possible. He said people thought the mix of activities was strange, but added that both were distribution businesses, centred on Europe, where management could add value.

The group, he said, was not about to "lurch sideways into other areas" and that the emphasis was on "maintaining quality of earnings rather than pursuing size for size's sake."

Group sales during the year totalled £191.8m. Earnings per share were 6.84p, and a final dividend of 0.75p is proposed to give a total of 1.25p.

The Spanish food business, based on Digsa which Ashley bought from Gateway at the start of the year, had been added to with the acquisition in May this year of Almacenes Castillo.

Mr David Fisher, in charge of the food business, said Digsa had increased like-for-like sales by 7 per cent.

Tony Butler: generated strong cash flow

In total it made sales of £171.8m and trading profits of £3.97m, up 45 per cent or 33 per cent on a like-for-like basis. Castillo contributed sales of £13.3m and trading profits of £617,000 in its three months of ownership.

Mr Fisher said the Spanish food retailing market was very fragmented, with no single national chain. Digsa is the fifth largest but has under 2 per cent of the total market. Many of the developments seen in the UK food market in the last 10 years had yet to be applied in Spain.

He said Digsa was currently in 24 of the 52 Spanish provinces, aims to be a national retailer, and would expand both organically and by acquisition. It was able to buy parcels of a few shops easily, he said. The group is currently pursuing an application for a listing on the Madrid Stock Exchange.

Ashley's other main business is Apollo, which designs, markets and distributes window blinds both for domestic and commercial use. It was also acquired in May. This division made sales of £5.1m and trading profits of £1.4m in the three months.

Mr Alan Thomas, director in charge of Apollo, said the UK business was showing sales gains of 9 per cent despite the difficulties in the retail market at present. Exports, about 13 per cent of turnover, were ahead by 69 per cent. He foresaw growth opportunities in Europe through acquisitions or joint ventures. Mr Butler said the group was currently considering two such deals.

Mr Butler added that the group generated strong cash flow and that the year-end balance sheet showed net assets of £33.6m and net cash of £5.6m. He did not foresee the need to remit cash from Spain to cover UK dividends.

Receiver raises £14m from Sharp & Law

By Andrew Hill

ADMINISTRATIVE receivers at Sharp & Law have already sold four subsidiaries of the ailing shopfitter raising about £14m and saving 700 of the 1,200 jobs at the Bradford group.

Mr Michael Jordan and Mr Michael Moore of Cork Gully, part of the accountancy firm Coopers & Lybrand, were called in at the parent company last month. They said yesterday that they had successfully completed a restructuring of various companies in the group.

Two days ago, Bullough, the industrial holding company, announced it had bought Baxter Fell Northfleet, Sharp's retail shelving subsidiary for £7m in cash.

Cardinal Shopfitting Systems, Sharp & Law Shopfitters and Wares Electrical have also been sold, and the receivers said discussions were being held with a number of potential buyers about the rest of the group.

Mr Michael Denison, Cork Gully's senior manager at Sharp, said: "We can't give any comfort to unsecured creditors at this stage, but obviously there is a lot of work still to be done."

He added that he hoped the majority of jobs at Sharp would be saved.

US buy helps Powerscreen climb to £8.1m

By Ray Bashford

POWERSCREEN International, the Northern Ireland-based manufacturer of crushing and screening equipment, increased pre-tax profits 24 per cent from £6.51m to £8.05m in the six months to September 30.

The result was achieved on a 54.5 per cent growth in turnover to £31.53m (£20.41m), due largely to the contribution from Royer Industries, the US manufacturer of waste shredding and sludge recycling equipment bought in January.

The $8m Royer purchase helped lift the proportion of turnover generated in North America to 46 per cent. The UK with 31 per cent and continental Europe with 20 per cent were the other principal income sources.

Powerscreen was encouraged by the increased importance of the company's operations in continental Europe which made an 11 per cent contribution to turnover last year.

"Europe remains our fastest growing geographic area, particularly in the recycling and crushing sector. We have continued our policy of appointing dealers with a new presence being established in Belgium, Switzerland, Germany and Portugal," said the company.

Powerscreen paid an average 20 per cent tax rate which was held down by the 10 per cent rate it pays on exports of manufactured goods from the Republic of Ireland.

Earnings per share rose to 8.3p (6.7p) fully diluted. The interim dividend has been increased 20 per cent to 1.45p (1.2p) per share.

● COMMENT

The maiden contribution from Royer gives encouragement for the longer-term potential of the Pennsylvania-based company as an important profits centre. Although Royer works on a considerably lower margin than other parts of the group, it is expected to deliver pre-tax profits of $2m for the full year and this could rise to $3.5m in the following 12 months. Powerscreen is well placed, having no borrowings, to make another acquisition, probably in the US. The disposal of the Belleek Pottery, which was acquired last year to the surprise of some City analysts, remains highly possible and this would further strengthen Powerscreen's purchasing power. These results, a recent senior management change and Royer's success should help to improve Powerscreen's lacklustre City image. The shares look undervalued on a prospective rating of 8.6, based on a conservative pre-tax profits estimate of £14m and a share price up 6p to 126p.

Relaunched computer group expands

By Alan Cane

WHITECHAPEL Workstations, a British venture-capital backed computer company which went into receivership last year, has returned with a new identity, Mistral Computer Systems, and a new corporate strategy.

Mistral is today announcing the purchase for an undisclosed sum of a substantial part of Amazon Computer Systems, a wholly owned subsidiary of the Legal and General Group.

The acquisition will give it immediate access to marketing channels in France, West Germany, Switzerland, the Netherlands, Spain, Italy and Scandinavia and provide it with specialised workstation software.

Amazon is one of a small number of high technology companies in which Legal and General has an interest. It has two divisions, one a personal computer dealership which it will retain, the other specialising in workstation software which Mistral is acquiring.

Whitechapel was a pioneer in the market for high performance personal computers (workstations) used by scientists and engineers. Its Hitech-10 machine, launched in October 1987, was acknowledged as a technology leader. It was one of the first companies to use microprocessor chips designed by the US company, Mips.

Mips microprocessors are now the choice of, among others, Digital Equipment and Tandem of the US and Siemens and Nixdorf of West Germany.

World-leading technology is, however, no substitute for cash flow and the company collapsed when it failed to raise adequate working capital in the wake of the 1987 stock markets crash.

The intellectual property and design rights to the Hitech-10 were purchased from the receiver by Computer Hitech International (CHI), a Channel Islands based consortium of European venture capitalists.

CHI (UK) now trades in Britain as Mistral. It is essentially a sales and marketing organisation run by Mr Bob Haire, formerly Whitechapel's managing director. The design of Mistral's computers is now subcontracted to Algorithmics, essentially the rump of the old Whitechapel design team now based in south London.

The new machines are designed to take advantage of successive generations of Mips microprocessors. Manufacturing is subcontracted to Computertechnik Muller of West Germany.

The workstation business, one of the fastest growing sectors of the computer industry, has changed dramatically since Whitechapel designed the Hitech-10. The competition includes International Business Machines, Digital Equipment, Sun Microsystems and Hewlett Packard. High powered machines are becoming a commodity and the keys to success are marketing channels and specialised software.

Mistral believes its purchase of the workstation interests of Amazon will give it both of those assets. It is seeking strategic relationships with software suppliers in the areas of graphics and animation, desktop supercomputing and finite element processing.

Mistral said yesterday that it intended to seek a listing at some stage although it was not ready to set a timetable.

Chase Investment offer angers Essex Water

By Andrew Hill

CHASE INVESTMENT Bank has written to Essex Water Company shareholders offering to buy their irredeemable preference stock.

The move drew a terse response from Essex, a statutory water company controlled by Lyonnaise des Eaux, one of the largest French water suppliers.

The group has told stockholders to take no action until they receive further advice.

Chase has written to certain Essex stockholders offering to buy their 2.45 per cent and 3.5 per cent irredeemable preference stock at 100p par value.

The bank confirmed that it had also looked into the purchase of similar classes of stock in other statutory water companies.

The statutory water companies, which supply water alongside the 10 larger water and sewage groups, have the option of converting to public limited company status and shedding dividend restrictions if they can win shareholder approval.

European Leisure to fund growth with £22m rights

By David Churchill, Leisure Industries Correspondent

EUROPEAN Leisure, the nightclub and leisure group which operates throughout the UK and continental Europe, yesterday announced a rights issue of £22.2m net in order to finance further expansion in the UK, France, and Spain.

Mr Michael Ward, European Leisure's chairman, said yesterday that "we are operating in markets which historically have been shown to remain very buoyant in difficult economic circumstances."

European Leisure plans to use the funds generated by the rights issue for acquisitions throughout Europe.

Mr Ward said that some £11m had been allocated for UK expansion, £7m for France, and £5m for Spain although he maintained that no immediate deals were likely.

Under the terms of the rights issue, two new ordinary shares will be issued for every three existing shares at 64p per share.

The issue has been underwritten by UBS Phillips and Drew.

Warringtons pays £24.3m for properties

WARRINGTONS, the property development group, is spending £24.3m in cash and shares to acquire a series of properties in the north west of England, Wales, Gibraltar and the US. The four separate transactions lift its gross assets to £75m and net assets to £41m, writes Paul Cheeseright.

The biggest of the deals is for £9.5m and signals the complete transfer of the property assets of Alfred McAlpine to Warringtons. Last year McAlpine exchanged property for shares in Warringtons and ended up with 41 per cent of Warringtons.

The new transaction involves the takeover of Alfred McAlpine Properties, whose asset is the leasehold interest in the shopping centre at Wrexham. Warringtons is paying with an issue of 9.5m £1 convertible preference shares, which may be converted into ordinaries between January 1993 and June 1997 at 115p per share.

Yesterday's market price for Warringtons was 94p.

In its other transactions, Warringtons:

● is paying £140,000 cash and issuing 1.09m ordinary shares to buy Lalgate, a private north west development company controlled by Mr Pat Garret with £5.8m of assets, chief of which is a shopping centre in Warrington.

● extending its US property interests by issuing 6.3m ordinaries and paying £750,000 cash to buy for £7.65m a 155,000 sq ft office building in Houston.

● expanding in Gibraltar by paying £2.1m cash to Key City Properties for three properties and a share in a joint venture company.

The overseas transactions are designed to broaden the basis of the Warringtons portfolio and hence provide protection in the event of a downturn on the British market.

COMMODITIES AND AGRICULTURE

Copper up, tin down as confusion grips markets

By Kenneth Gooding, Mining Correspondent

TRADERS AND analysts were uncertain about the prospects for copper and tin prices after receiving confusing signals yesterday in London and New York.

Copper prices rose sharply in early trading on the New York Commodity Exchange (Comex) but the London Metal Exchange appeared reluctant to follow its lead.

Meanwhile, tin prices fell on the LME throughout the day and cash metal ended at $7,135 a tonne, down $385 to the lowest level since the tin contract was re-started on the exchange in June and a price not seen on the European free market since early October last year.

Comex copper prices were driven up by Tuesday's news that miners at Exxon's Disputada de las Condes subsidiary in Chile, which produces about 125,000 tonnes of copper in concentrate a year, were to strike from midnight last night over pay.

A fall in Comex warehouse copper stocks also aided New York's bullish sentiment. There was also considerable arbitrage buying because, as Mr Howard Levine, an analyst with Shearson Lehman Hutton's metals team, put it, "Comex has been running cheap" compared with the LME.

In the past three weeks the New York-London arbitrage widened to about 7.5 to 8 cents a lb, London premium, against 0.5 to 1 cent in mid-October, he pointed out.

In London traders said the bulls and bears of copper were finely balanced. This was reflected in the LME cash price which closed yesterday at £1,731, up £5.50 in spite of the incentive from Comex for it to move higher.

An important factor holding down the price in London was a market rumour that the Disputada dispute had been settled.

However, as yesterday was All Souls public holiday in Chile it seems very unlikely there were any fresh developments.

Mr Robin Bhar, an analyst with W I Carr, the financial services group, suggested the copper market recently had been ruled by technical factors and was ignoring the fundamentals.

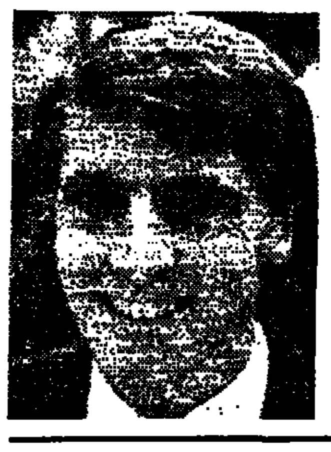
"The market is over-sold and could possibly return to previous peaks," he said.

Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, said there was likely to be a shortage of copper towards the end of this year. "The Japanese must be seriously concerned about where they will get their (copper) concentrates from and might have to come to the LME for metal. But the LME does not have a lot of copper to offer."

Meanwhile, after tin's further sharp fall yesterday, analysts suggested it probably had no further to drop. But "nobody really knows," said Mr MacMillan. "Consumers were expected to start buying when the price reached $7,500. Obviously they are not that short of metal."

Mr Bhar suggested the fall had been overdone and that some big trading houses had manoeuvered the tin price lower regardless of the fundamental tightness of supply.

Tin consumers still seem to be by-passing the LMEbut Mr David King, who yesterday formally took over as chief executive, pointed out that the number of lots traded on the exchange had more than doubled from only 400 a day in June to 958 in October.



Mr David King (left) yesterday took over as chief executive of the London Metal Exchange. He predicted the volume of contracts traded on the exchange would increase, "because we will be marketing ourselves more aggressively. This will generate results and increase activity in all metals, starting next year." He predicted LME volume would reach about 10m contracts this year, up from 7.8m in 1988 and rise again in 1990. "When we sort out legislative problems in the US and open warehouses there, we will generate much new business," he said.

Sifting through sand for mineral wealth

Kenneth Gooding on an Irish company's $100m project in Mozambique

KENMARE RESOURCES, the USM-quoted, Dublin-based mining company, said yesterday it would go ahead with a $100m mineral sands project in Mozambique.

First commercial production should begin in the spring of 1992, said Kenmare, and the project would generate annual revenue of $44m of which about two thirds would be operating profit.

Nearly two thirds of the revenue will come from production of two grades of ilmenite. This contains titanium dioxide, the key ingredient in the production of pigments for paint, paper and plastics. Just under one third of the revenue will be generated by zircon, used mainly in refractories (high temperature furnaces) ceramic glazes and steel foundries.

Production of all mineral sands has been running hard to keep up with demand in recent years. Prices have risen to record levels and this has stimulated an industry-wide expansion, particularly in Australia, already the biggest producer of mineral sands.

Marketing studies for Kenmare carried out by Bain and Company, London consultants, and Dema of Perth, predict continuing demand growth but weakening prices from mid-1990 as the expansion projects begin to make an impact.

Mr Michael Nossal, Kenmare's finance director, said there was likely to be a fall in prices in real terms of between 5 per cent and 10 per cent across the range of mineral sands. But zircon's price was expected to suffer a greater percentage fall.

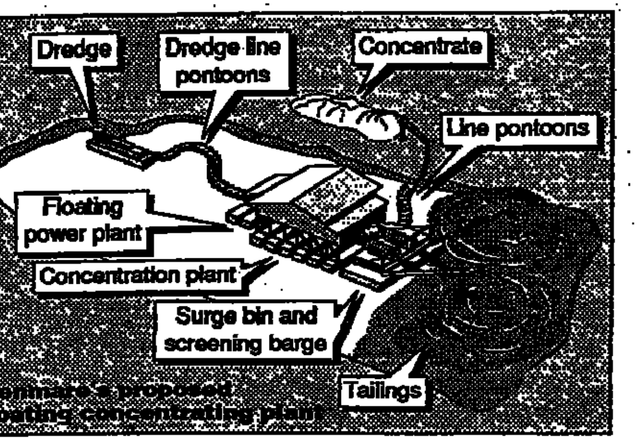
Kenmare is muscling in on an industry ultimately controlled by relatively few, major companies. These include the RTZ Corporation of the UK, General Union Mining Corporation of South Africa (Gencor) and Consolidated Gold Fields, now owned by Hanson of the UK.

About ten years of mineable reserves have been proven at Kenmare's Congolone mineral sands project near Angoche on the Northern Mozambique coast, and there are indications that mine life eventually will be extended well beyond this period.

Kenmare plans to build a jetty to receive ships of up to 30,000 tonnes so that all products will be shipped out to customers directly from the site and all supplies will come in by sea.

The site is also relatively easy to protect if there should be any trouble from Renamo guerillas or the bandits who roam some parts of the country. Mr Charles Carvill, Kenmare's chairman, said: "Since exploration began there have been no signs of any trouble – but you can't afford to take chances."

Kenmare has put $760,000 a year in the budget to pay for a contingent of 87 Mozambiquan soldiers and two UK "security consultants" – formerly with the SAS. Kenmare will feed and house the soldiers and pay for their uniforms while the Mozambique Government will pay their wages and supply weapons and ammunition.



Kenmare's proposed floating concentrating plant

Kenmare decided to move ahead with the project after a full, "bankable" feasibility study by Davy McKee of Stockton, testwork by Mineral Deposits (a BHP subsidiary) and an environmental impact assessment by Steffen Robertson and Kirsten.

The Irish company will have a 71.25 per cent equity interest in the project, the Geological Survey of Yugoslavia – which identified the reserves – 3.75 per cent and the Mozambique Government 25 per cent. The Mozambique Government will not contribute towards the capital cost but neither will it collect any dividends until the project's cash based internal rate of return reaches the US$ Libor rate plus 3.5 per cent. Kenmare will pay corporation tax of 50 per cent.

To mine the minerals Kenmare plans to use a 2,500 tonne an hour dredge plant and a floating concentrating plant which will separate heavy minerals by gravity concentration. Concentrate will be transported by truck to a dry mill where individual products will be separated.

Annual capacity will be about 234,600 tonnes of sulphate grade ilmenite, 187,700 tonnes of standard ilmenite, 37,500 tonnes of premium zircon, 8,060 tonnes of premium rutile and 1,000 tonnes of monazite (the richest source of rare earth elements used in magnets, electronics and high technology ceramics).

Mr Nossal said the value of the project would be increased substantially if the ilmenite was upgraded to synthetic rutile. Facilities for this would cost about $60m, however, and Kenmare would wait some time before considering this step.

He said Kenmare expected to be able to fund most of the project by non-recourse debt and already had been in contact with international aid organisations such as the World Bank's International Finance Corporation, the Commonwealth Development Corporation and the European Investment Bank.

The rest of the money would be provided possibly by a rights issue or forward sales contracts or by another company coming in as a partner. The project had attracted considerable interest and Kenmare already had signed confidentiality agreements with two groups. "We are not looking for a partner but we might consider taking one on if it brought something extra to the project – for example, enabling us to move straight to the second phase where ilmenite would be upgraded," commented Mr Michael Carvill, managing director.

Record month for Brent futures

By Steven Butler

THE INTERNATIONAL Petroleum Exchange last month achieved record trading levels, with total volume at 453,904 lots, compared with the previous record of 324,921 lots in July.

The volume of trading on the IPE has grown rapidly since mid-1988, when trading first began in futures contracts for Brent crude.

Trading volume has more than doubled since the start of the year.

The Exchange yesterday also published a breakdown of customers of the market which show a wide spectrum of participants. Traders account for 43.1 per cent of the market's contract volume, compared to 19.2 per cent by refiners, 10.2 per cent by producers, 5.7 per cent by distributors, 1.9 per cent by end users, and 18.9 per cent by non-trade users.

European traders dominate the market, with 41.3 per cent of trades originating in the UK and 34.6 per cent from mainland Europe. The US accounts for 18.4 per cent of trade, with the balance of 5.7 per cent from elsewhere in the world.

Trading at the Rotterdam Energy Exchange, which opened on Tuesday in competition to the IPE, appears to be getting off to a reasonable start with contract volume yesterday at 250 lots.

CRUDE OIL SPOT MARKET QUOTATION

THE BRENT crude oil price quoted in the Financial Times will henceforth be based on the price for the second trading month in the Brent forward market, as supplied by Petroleum Argus.

Previously prices quoted have been based on the first trading month. Today this means the December contract price is quoted instead of the November price.

First month prices have frequently been subject to short term distortions reflecting temporary perceptions of surplus and shortage in the market with relatively little underlying trading volume. Trading in the second months tends to be more active, and this higher liquidity should result in a more accurate price determination that reflects underlying trends in the market.

Currently Brent crude contracts for November delivery are quoted at more than $1 above the December contract price. Yesterday prices for December Brent rose by 40 cents to close at $19.07½.

Producers hang on to coffee hopes

Tim Coone on Latin American efforts to revive export controls

LATIN AMERICAN "other milds" coffee producers remain hopeful on the prospect of reviving in the price-supporting International Coffee Agreement in spite of Brazil's insistence that it will not consider reducing its share of world export quota.

Following last weekend's Pan-American summit conference in San Jose, the Costa Rican capital, it was reported that the presidents of Brazil, Colombia and several Central American coffee producing countries had agreed on basic proposals for the reintroduction of ICA export quotas.

But Brazilian officials were quick to reject suggestions that they would consider accepting the quota cut envisaged in the proposals.

Nevertheless, Mr Luis Diego Escalante, Costa Rica's foreign trade minister, this week is still optimistic on the pact's prospects. "There is a political will amongst the Latin American producers to reach a new agreement," he declared. By early next year he expects that Latin America will be able to present a unified position at the next meeting of the International Coffee Organisation in London.

The weekend summit, which brought together 16 heads of state from the American continent, was an opportunity for the leaders of the main coffee producing countries in Latin America to have "a frank exchange of opinions" said Mr Escalante.

However, President Jose Sarney of Brazil was reported to be "very irritated" at the lack of consultation over the Colombia proposal to reduce Colombian and Brazilian quotas to allow greater access of the "other milds" to the US market. Colombian officials had said Colombia was prepared to accept a cut of 150,000 bags (60 kg each) in its export quota if Brazil allowed its to be reduced by 500,000 bags.

In order to smooth ruffled feathers, Mr Escalante said this week that Costa Rica was proposing that all the producing countries should accept "a portion of sacrifice to share in the benefits" of re-establishing the quota agreement.

He said this week that the losses facing producing countries because of the sharp fall in prices outweighed any benefits to individual countries by being able to sell more of their output on the open market. The priority now, he said, was to re-establish the economic clauses of the ICA, which regulate quotas "without discussing changes in quotas."

He said that ideally a universal quota should be agreed upon which included all producing and consuming countries, thus eliminating the problem of a two-tier market (with pact members paying more for coffee than non-members) which was partly to blame for the collapse of the last ICA.

The new climate of political change, especially in Eastern Europe favoured an eventual agreement on a universal quota system under which the two-tier market would be eliminated by including all buyers and sellers, Mr Escalante said.

In the absence of a new agreement though he said "we should commit ourselves to a free market." At present he said that uncertainty over the future of the ICA had depressed prices "to an absurd level."

In three weeks, an International Coffee Week symposium is to be held in San Jose, at which detailed discussions among the Latin American producers are due to take place. If agreement could be reached there, Mr Escalante said, there would be a high probability that the ICA could be renewed because "Latin America accounts for 70 per cent of the world's output of coffee."

All now hinges on a proposal under which, Mr Escalante says, "there would a change of quotas without calling them a change in quotas." Under this the Latin American producers would settle among themselves the share-out of quotas by allowing for a special access of the "other milds" to the US market, and in the short-term all producing countries would accept "an equitable reduction" in export quotas to re-establish prices at a profitable level for producing countries.

According to Dr Oscar Arias, the Costa Rican President, the losses facing Latin American coffee producers in the coming harvest amount to some $1.5bn as a result of the collapse of the ICA.

Confusion over EC grain levy

GRAIN FARMERS in different European Community states will be charged varying rates of co-responsibility levy from today due to a confusing series of instructions from Brussels, officials and industry sources said, Reuter reports.

Mr Simon Gourlay, president of the National Farmers' Union, said the EC Commission had bungled the administration of the cereals stabiliser system under which producers are charged varying rates of levy depending on the size of the Community crop.

Last month the 1989 crop was set at 160.5m tonnes, just over the target of 160m. Because the overshoot was so small, the Commission proposed scrapping an extra levy.

However, at a meeting of EC Ministers last week the UK refused to accept waiving of the extra levy, saying it should be collected at the prescribed rate of 38 pence a tonne.

Under the stabiliser system farmers are charged a basic and an additional levy with the latter reimbursed in full or in part depending on the size of the EC grain crop.

On Tuesday the Commission telexed member states saying the extra levy need not be collected at all.

WORLD COMMODITIES PRICES

LONDON MARKETS

LEAD prices rallied on the LME following Tuesday's sell-off. Traders said Tuesday's levels – three-month metal fell below £450 a tonne – were not warranted by the fundamental tightness of supplies. Bargain hunting by the trade had triggered shortcovering. Gold eased, but managed to hold above $373 an ounce on constructive fundamental and technical factors. Dealers said it was consolidating after Monday's rise to 3½-month highs of just under $380. Coffee prices were steady. The market appears to be settling down to trade in a tight range after this week's run-up following news of rising hopes for a new international coffee agreement, which later seemed to have been dashed by statements from Brazil. Indonesia yesterday reiterated its demand for an increased share of any new global quota.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.20-8.30w	+0.20
Brent Blend	$19.05-9.10w	+0.40
W.T.I. (1 pm est)	$20.10-0.13w	+0.32
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$190-192	
Gas Oil	$184-185	+3
Heavy Fuel Oil	$100-102	+2
Naphtha	$163-164	+6.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$373.75	-1.50
Silver (per troy oz)♣	517c	-4
Platinum (per troy oz)	$486.35	-2.00
Palladium (per troy oz)	$135.15	-0.25
Aluminium (free market)	$1765	-15
Copper (US Producer)	117⅝-21¾c	-1½
Lead (US Producer)	40.5c	
Nickel (free market)	460c	-5
Tin (Kuala Lumpur market)	19.15r	-0.85
Tin (New York)	328.5c	-17.0
Zinc (US Prime Western)	78⅝c	-1⅝
Cattle (live weight)†	113.32p	+0.80*
Sheep (dead weight)†	188.71p	+27.8*
Pigs (live weight)†	98.12p	-2.98*
London daily sugar (raw)	$344.8v	-3.8
London daily sugar (white)	$388.5v	-1.5
Tate and Lyle export price	£333.5	-2.5
Barley (English feed)	£112.0q	+0.5
Maize (US No. 3 yellow)	£126.25q	
Wheat (US Dark Northern)	£123.25	
Rubber (spot)♥	56.25p	
Rubber (Dec)♥	59.00p	
Rubber (Jan)♥	60.00p	
Rubber (KL RSS No 1 Dec)	226.5m	
Coconut oil (Philippines)§	$475.0v	-2.5
Palm Oil (Malaysian)§	$310q	-5
Copra (Philippines)§	$310q	
Soyabeans (US)	£188.5q	-1.0
Cotton "A" index	83.55c	+1.05
Wooltops (64s Super)	598p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Jan/Mar. v-Nov/Dec. w-Dec. q-Nov. z-Jan/Feb †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Dec	714	728	725	711
Mar	700	702	703	694
May	713	713	715	705
Jul	726	726	730	720
Sep	741	743	741	733
Dec	764	770	768	762
Mar	789	790	793	785

Turnover: 2292 (3576) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 31 815.77 (814.76); 10 day average for Nov 1 828.93 (831.47)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Nov	700	700	702	690
Jan	685	685	695	686
Mar	700	700	707	702
May	722	718	727	723
Jul	749	740	748	743
Sep	767	764	768	765
Nov	785	790	785	

Turnover: 2198 (3674) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 31: Comp. daily 61.93 (62.02). 15 day average 60.82 (60.63)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	335.00	315.00		
Mar	320.40	310.20	322.00	308.00
May	315.00	305.40	316.00	304.80
Aug	309.80	299.60	310.00	298.40
Oct	298.00	289.60	298.20	
Dec	297.00	285.00	286.00	
White	**Close**	**Previous**	**High/Low**	
Dec	391.00	381.50	389.50	381.50
Mar	394.00	384.00	393.00	382.50
May	396.00	385.80	392.00	382.00
Aug	404.80	390.00	401.00	387.00
Oct	390.50	373.00	373.00	
Dec	371.50	363.00	362.00	
Mar	371.50		362.10	

Turnover: Raw 4808 (1985) lots of 50 tonnes. White 1077 (806)

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Dec	19.09	18.63	19.10	18.78
Jan	18.65	18.25	18.68	18.34
Feb	18.13	17.95	18.22	18.13
Mar	17.75	17.80		
IPE Index	18.60	18.14		

Turnover: 11144 (7672)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Nov	181.25	176.75	181.25	178.75
Dec	176.00	173.25	176.25	173.00
Jan	175.00	169.75	175.00	171.75
Feb	171.00	165.75	171.50	167.25
Mar	164.50	161.25	164.50	163.50
Apr	160.00	157.00	161.00	160.00
May	156.75		158.75	

Turnover 7286 (6222) lots of 100 tonnes

WOOL

News of a further denial by the AWC of lowering the floor prices surprised most of the wool trade which never seriously doubted this. An article in an Australian weekly paper apparently made the new assurance necessary. With AWC floor price purchases still over 50pc of daily auction offerings and no sign of Chinese re-entry into the market, nor of normal resumption of Japanese demand, wool looks very clearly a buyers' market with prices staying at floor level. Trading, particularly in the UK with its interest rate squeeze, is hand-to-mouth and aimed at de-stocking. Consumer demand remains sound enough.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 22,125 tonne
Cash	1765-75	1760-5	1765	1764-6		
3 months	1720-5	1720-2	1740/1710	1715-8	1720-5	32,378 lots
Copper, Grade A (£ per tonne)						Ring turnover 41,000 tonne
Cash	1730-2	1724-7	1745/1730	1736-7		
3 months	1717-8	1712-3	1726/1708	1717-8	1711-2	78,187 lots
Lead (£ per tonne)						Ring turnover 12,450 tonne
Cash	469-71	457-8	470/469	469-70		
3 months	458-9	447-8	459/448	456-7	459-60	12,519 lots
Nickel ($ per tonne)						Ring turnover 990 tonne
Cash	9975-10000	10075-100	10050/9950	9950-60		
3 months	9710-5	9760-75	9750/9725	9700-50	9710-25	5,698 lots
Tin ($ per tonne)						Ring turnover 765 tonne
Cash	7120-50	7510-30	7180/7170	7160-80		
3 months	7170-80	7550-60	7350/7180	7200-10	7190-200	5,448 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 8,400 tonne
Cash	1530-5	1537-40	1542/1541	1541-2		
3 months	1507-8	1517-8	1520/1502	1514-5	1506-08	15,159 lots
Zinc ($ per tonne)						Ring turnover 1,725 tonne
Cash	1490-500	1495-505	1520	1520-5		
3 months	1465-70	1470-80	1475/1470	1480-90	1465-75	3,077 lots

LME Closing £/$ rate:
SPOT: 1.5815 | 3 months: 1.5661 | 6 months: 1.5305 | 9 months: 1.5116

POTATOES – IPE £/tonne

	Close	Previous	High/Low	
Nov	100.0	122.5	122.0	121.1
Feb	157.0	160.0	153.0	
Mar	197.0	192.0	197.4	192.0
Apr	225.0	222.0		

Turnover 39 (434) lots of 40 tonnes.

SOYABEAN MEAL – IPE £/tonne

	Close	Previous	High/Low
Dec	141.00		141.00
Feb	140.50	142.00	143.00
Apr	143.00	142.50	143.00

Turnover 35 (18) lots of 20 tonnes.

FREIGHT FUTURES – IPE $10/index point

	Close	Previous	High/Low	
Nov	1679	1665	1684	1670
Dec	1669		1672	1670
Jan	1676	1665	1683	1671
Apr	1605	1605	1683	1673
Jul	1410	1418		
Oct	1533	1525		
BFI	1647	1647		

Turnover 282 (360)

GRAINS – IPE £/tonne

Wheat	Close	Previous	High/Low	
Nov	106.00	105.05	106.00	
Jan	110.50	110.65	110.50	110.35
Mar	114.30	114.50	114.35	114.00
May	117.40	117.80	117.60	117.40
Jul	119.10	118.55	119.35	
Sep	103.25		103.40	103.25
Nov	106.35		106.15	
Barley	**Close**	**Previous**	**High/Low**	
Nov	105.35	105.45	105.35	
Jan	109.00	109.30		
Mar	112.00	112.30	112.20	112.00

Turnover: Wheat 187 (180), Barley 37 (65). Turnover lots of 100 tonnes.

PIGS – IPE (Cash Settlement) p/kg

	Close	Previous	High/Low	
Nov	129.0	130.5	129.5	128.5
Feb	117.0	117.5	118.5	
Mar	118.5	117.5	118.5	
Jun	116.0	117.2		
Aug	111.0	112.0		

Turnover 15 (0) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	373¼-374	236¼-236¾
Opening	373¾-374	237-237½
Morning fix	373.05	237.131
Afternoon fix	373.00	236.660
Day's high	373-374½	
Day's low	372-372½	
Coins	**$ price**	**£ equivalent**
Maple leaf	383-388	242-245
Britannia	383-388	242-245
US Eagle	383-388	242-245
Angel	383-388	242-245
Krugerrand	373-376	236-238
New Sov.	88-89	55½-56½
Old Sov.	88-89	55½-56½
Noble Plat	492.20-500.00	311.70-316.65
Silver fix	**p/fine oz**	**US cts equiv**
Spot	327.05	518.75
3 months	336.95	528.20
6 months	343.25	535.35
12 months	374.75	559.85

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1650	117	102	26	54
1750	59	66	66	108
1850	26	38	130	173
Copper (Grade A)	**Calls**		**Puts**	
2550	187	166	88	116
2600	129	122	84	146
2750	84	86	147	227
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
650	59	87	23	34
700	32	61	46	58
750	16	40	80	87
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
650	[illegible]	[illegible]	[illegible]	[illegible]
700	36	47	22	47
750	17	25	33	76
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
1800		71	4	31
1850		45	5	59
1900	19	26	33	[illegible]

US MARKETS

IN THE METALS, two-sided activity was seen in the gold, silver and platinum, reports Drexel Burnham Lambert. A quiet US dollar and the upcoming economic data slowed down the trading. Copper prices rose in sympathy with the strong showing in the London market. In the softs, sugar prices soared up 56 basis March on heavy volume. Fund and commission houses were both active. News about Brazil reneging on sugar was noted. Origin selling weakened the coffee. Cocoa was lower with mostly switch trading featured. Cotton futures added to Tuesday's gains from speculative buying. The grains had a short covering rally in the soybeans while possible India tender business firmed wheat. Oil, meal and corn were all unvaried. The energy complex was higher as API numbers provided support. Crude oil futures rallied above the 20 dollar level. The livestocks had another limit up move in the pork bellies. February bellies settled at 5760.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	374.2	374.7	0	0
Dec	376.3	377.5	378.1	375.7
Feb	381.2	381.9	382.5	380.0
Apr	385.4	386.1	386.5	384.4
Jun	389.5	390.4	390.7	388.8
Aug	393.6	394.6	395.0	393.3
Oct	397.9	398.9	0	0
Dec	402.3	403.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Nov	488.1	490.0	0	0
Jan	492.5	494.5	495.0	492.0
Apr	497.0	498.7	499.0	495.5
Jul	501.8	503.2	504.0	502.4
Oct	506.4	507.7	508.5	506.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	516.0	518.0	513.5	513.5
Dec	516.3	521.6	522.0	517.1
Jan	521.7	524.7	0	0
Mar	530.2	533.2	533.0	528.5
May	537.2	540.2	540.0	536.0
Jul	545.5	548.5	547.5	545.0
Sep	553.3	556.3	555.0	553.0
Dec	564.0	567.3	566.0	565.0
Jan	568.3	571.3	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	115.35	113.70	0	0
Dec	116.50	114.00	117.30	115.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 31	Oct 30	mnth ago	yr ago
1851.3	1845.8	1875.9	1690.0

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	129.84	130.09	130.76	135.99
Futures	129.66	129.20	131.46	136.22

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	20.07	19.94	20.14	19.90
Jan	19.78	19.65	19.84	19.63
Feb	19.57	19.44	19.63	19.42
Mar	19.42	19.28	19.46	19.28
Apr	19.29	19.16	19.33	19.13
May	19.16	19.06	19.20	19.02
Jun	19.01	18.90	19.01	18.96
Jul	18.88	18.76	18.86	18.82
Sep	18.57	18.67	18.84	[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	6040	5911	6070	5940
Jan	5975	5857	5995	5840
Feb	5810	5672	5850	5695
Mar	5400	5360	5410	5365
Apr	5235	5195	5240	5200
May	5050	5027	5050	5050

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	974	977	976	963
Mar	986	995	993	982
May	1003	1003	1008	[illegible]
Jul	1013	1018	1013	1010
Sep	1035	1036	1035	1030
Dec	1060	1068	1060	1050
Mar	1087	1092	1087	1080

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	73.64	74.95	74.90	72.50
Mar	74.98	76.74	76.90	74.65
May	76.75	78.63	78.50	76.70
Jul	79.00	80.60	80.50	79.00
Sep	80.80	82.75	82.75	81.00
Dec	84.00	85.60	85.50	84.00
Mar	85.85	88.25	87.75	87.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	14.20	13.93	0	0
Mar	14.53	13.97	14.54	13.98
May	14.38	13.72	14.38	13.71
Jul	14.00	13.38	14.00	13.50
Oct	13.51	13.06	13.62	13.09
Mar	13.03	12.80	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	75.62	75.23	75.97	75.35
Mar	77.42	76.76	77.56	76.85
May	78.17	77.36	78.36	77.45
Jul	77.90	77.10	78.00	77.20
Oct	70.80	70.35	70.65	70.40
Dec	67.80	67.60	67.50	67.30
Mar	68.46	68.33	68.45	68.05

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	130.60	130.20	131.20	130.60
Jan	125.95	125.05	126.00	125.35
Mar	125.65	125.45	127.00	125.00
May	125.50	125.30	127.00	126.00
Jul	125.60	125.10	127.25	125.60
Sep	125.60	125.60	0	0
Nov	125.20	125.70	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	561/6	558/4	563/2	556/4
Jan	576/2	572/2	578/0	570/2
Mar	589/2	585/2	589/0	582/6
May	599/4	595/4	599/0	592/6
Jul	605/4	601/6	605/0	599/6
Aug	605/0	602/0	605/0	600/0
Sep	588/4	584/0	587/0	585/0
Nov	585/6	583/6	587/0	581/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.15	19.15	19.24	18.99
Jan	19.36	19.35	19.42	19.20
Mar	19.77	19.75	19.85	19.60
May	20.02	20.11	20.17	19.94
Jul	20.42	20.40	20.42	20.24
Aug	20.42	20.46	20.55	20.35
Sep	20.52	20.65	20.65	20.45
Oct	20.57	20.68	20.58	20.50

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	182.5	182.6	182.9	180.0
Jan	181.2	181.2	181.6	180.0
Mar	180.4	179.9	180.7	178.2
May	179.2	179.0	179.7	178.5
Jul	178.1	178.1	178.5	177.5
Aug	177.5	177.2	178.0	177.5
Sep	177.0	177.0	177.5	176.5
Oct	176.5	177.3	176.0	176.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	237/4	237/4	238/2	236/4
Mar	246/6	245/6	247/4	245/0
May	249/4	248/6	250/2	248/0
Jul	249/6	249/0	250/0	249/2
Sep	242/2	242/0	242/6	241/6
Dec	236/4	237/2	238/0	237/0
Mar	244/2	244/0	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	398/0	394/4	398/6	394/2
Mar	400/6	396/6	401/6	397/6
May	381/2	379/6	382/0	378/0
Jul	351/4	349/4	352/4	350/0
Sep	355/4	354/4	356/0	354/0
Dec	368/0	365/4	368/0	365/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	74.30	74.45	74.40	74.00
Feb	73.97	73.95	73.97	73.62
Apr	74.07	74.30	74.17	73.90
Jun	71.15	71.25	71.27	71.02
Aug	69.45	69.50	69.55	69.42
Oct	69.75	69.60	69.75	69.60

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	47.65	46.57	47.72	46.95
Feb	47.20	46.30	47.40	46.10
Apr	44.10	43.40	44.22	43.20
Jun	48.20	47.75	48.35	47.75
Jul	48.37	47.82	48.45	47.80
Aug	47.20	46.80	47.30	46.80
Oct	44.20	43.80	44.30	43.80
Dec	44.80	44.70	44.80	44.65

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	57.60	55.60	57.60	55.20
Mar	57.37	55.37	57.37	54.90
May	57.47	55.47	57.47	54.85
Jul	57.17	55.17	57.17	55.10
Aug	55.20	53.20	55.20	53.00

LONDON STOCK EXCHANGE

Market reservations despite recovery

A CONFIDENT performance by the new UK Chancellor of the Exchequer in the parliamentary debate on the economy, together with the continued calmness of sterling on the foreign exchange markets, encouraged a further recovery in UK equities yesterday. At the close, the gain of 17.5 left the FT-SE Index 1.4 per cent higher than it was on the eve of the dramatic resignation of Mr Nigel Lawson as Chancellor of the Exchequer.

But traders expressed serious reservations about the underlying quality of the market, as marketmakers again widened price spreads and reduced bargain sizes. "It is very difficult to trade. There's not much of a market out there," said a senior trader at one leading UK house.

Marketmakers have been running very tight trading books and some have been caught out by the recovery in share prices. The big investment institutions, having generally avoided selling shares during last Friday's shakeout, now find themselves unable to buy stock in reasonable size. The Seaq screens showed 15p spreads in quotations for Glaxo, with most marketmakers quoting in only 25,000 share lots; ICI was on 10p to 20p spreads and quoted in similar size.

These signs of avoiding action by marketmakers were blamed for discouraging fund managers from participating in this week's upturn in equities. One retail broker was told by an institutional client yesterday: "I simply can't bring myself to deal on these wide price spreads."

The FT-SE Index closed 17.5 up at 2,160.1 for its third successive daily gain. The day's Seaq volume total was 333.1m shares, against 334.5m in the previous session.

In addition to the absence of selling pressures on sterling, equities were helped by significant corporate developments this week. The proposed demerger at Courtaulds, which would be one of the largest by a UK company, implies a new and substantial entrant to the market's corporate lists, while the UK Government's decision to abandon the "golden share" at Jaguar has reignited the takeover front, especially where the privatisation issues are involved.

Market strategists yesterday sounded more surprised than convinced by the latest performance by the equity sector. A question mark still hangs over the outlook for sterling and there are still fears that domestic interest rates could be forced higher if the UK currency hits trouble.

For the near term, however, the London market can enjoy a holiday from economic data on both sides of the Atlantic. But although UK equities are now 11 per cent off their 1989 peak, as measured by the Footsie at the beginning of September, few analysts believe that the worst is over yet.

Account Dealing Dates

First Dealings:	Oct 16	Oct 30	Nov 13
Option Declarations:	Oct 26	Nov 9	Nov 23
Last Dealings:	Oct 27	Nov 10	Nov 24
Account Day:	Nov 6	Nov 20	Dec 4

New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Nov 1	Oct 31	Oct 30	Oct 27	Oct 26	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.43	84.61	84.35	84.57	85.31	89.19	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.54	93.81	93.86	93.87	94.08	97.86	98.59 (15/3)	93.20 (19/10)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1738.1	1721.4	1701.7	1678.5	1720.5	1495.6	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	221.7	219.5	223.6	209.5	199.8	189.9	223.6 (30/10)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2160.1	2142.6	2112.2	2082.1	2128.5	1843.2	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.78	4.80	4.85	4.92	4.81	4.67				
Earning Yld %(full)	11.43	11.54	11.68	11.85	11.59	11.76				
P/E Ratio(Net)(*)	10.57	10.47	10.35	10.20	10.43	10.30				
SEAQ Bargains(5pm)	22,126	20,575	19,626	28,896	22,058	22,589				
Equity Turnover(£m)†	-	579.68	583.70	1098.22	738.51	929.80				
Equity Bargains†	-	19,066	19,660	27,868	21,107	22,965				
Shares Traded (ml)†	-	446.2	417.1	529.7	379.7	373.7				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ¤ Nil 10.49

GILT EDGED ACTIVITY

Indices*	Oct 31	Oct 30
Gilt Edged Bargains	91.2	79.7
5-Day average	96.1	101.7

Ordinary Share Index, Hourly changes — Day's High 1740.2 — Day's Low 1720.8

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1725.1	1723.3	1731.5	1731.5	1733.6	1734.8	1736.7	1739.4

FT-SE, Hourly changes — Day's High 2163.2 — Day's Low 2141.7

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2146.0	2146.1	2151.8	2155.2	2157.4	2158.7	2160.4	2161.8

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,200	141	-1
Abbey National	879	144	
Allied-Lyons	3,400	453	+3
Amstrad	918	51	
Argyll Group	1,600	218	+1
Ass. Brit. Foods	107	387	+8
BAA	393	338	+4
BAT Inds.	1,600	753	+9
BET	851	270	+9
BICC	483	455	+10
BOC	899	493	+11
BPB Inds.	830	231	+6
BTR	1,400	407	+2
Barclays	1,100	464	+1
Bass	392	961	+4
Blue Circle	1,400	216	+4
Boots	2,500	266	+5
Brit. & Comm.	874	116	+1
Brit. Aerospace	456	547	+8
British Airways	443	195	+3
British Gas	3,400	189	+1¼
British Land	111	388	-2
BP	3,600	297	+1
British Steel	5,500	127	+½
British Telecom	3,100	254½	+1½
Burmah Oil	396	679	+6
Burton	2,000	196	+3
Cable & Wireless	2,400	498	+10
Cadbury Schweppes	1,700	359	+6
Carlton Comms.	592	778	+32
Commercial Union	585	453	
Cookson	1,800	302	+2

Stock	Volume 000's	Closing Price	Day's change
Courtaulds	1,300	354	-2
Dalgety	217	360	
Dixons	383	113	
Eng. China Clays	508	403	+3
Enterprise Oil	387	606	+9
Fisons	769	327	
General Accident	215	1025	-3
General Elect.	5,300	224	+5
Glaxo	1,300	1413	+23
Globe Inv.	401	179	+½
Glynwed Int.	416	235	+3
Granada	156	294	+3
Grand Met.	2,300	515	+11
GUS A	136	1015	+5
GRE	968	219	+2
GKN	1,100	384	+5
Guinness	1,100	597	+2
Hammerson 'A'	6	760	
Hanson	3,700	208½	+2
Harrisons & Cros.	988	144	
Hawker Siddeley	389	615	+2
Hillsdown Hldgs.	1,300	277	+1
IMI	122	219	+1
Imp. Chem.	1,300	1092	-13
Inchcape	293	268	+1
Jaguar	5,750	879	+10
Kingfisher	704	286	
Ladbroke	3,500	282	+2
Land Securities	1,100	506	-8
Laporte	494	458	+4
Legal & General	757	359	+1
Lloyds Bank	435	361	+1

Stock	Volume 000's	Closing Price	Day's change
LASMO	780	519	+9
Lonrho	1,500	258	-4
Lucas	563	681	+1
MB Group	141	186	+2
MEPC	296	497	-5
Marks & Spencer	1,800	199	+1
Maxwell Comm.	1,300	232	+10
Mecca Leisure	1,000	157	+6
Midland Bank	517	316	
NatWest Bank	786	297	+1
Next	2,000	180	+6
Northern Foods	8	380	+1
Pearl	149	634	-5
Pearson	245	609	+8
P & O	459	571	+4
Pilkington	1,100	217	+2
Polly Peck Intl.	2,400	334	-8
Prudential	1,400	192	+1
RHM	178	427	+2
RMC	245	616	+6
RTZ	1,300	516	+12
Racal	1,700	224	+2
Rank Org.	317	838	+3
Reckitt & Colman	762	1136	+1
Redland	904	515	+15
Reed International	1,200	397	+15
Reuters	1,000	913	+5
Rolls Royce	975	163	-2½
Rothmans	133	673	+6
Royal Bk of Scotland	454	182	-1
Royal Insurance	1,900	463	-3
STC	783	385	+2

Stock	Volume 000's	Closing Price	Day's change
Saatchi & Saatchi	140	306	+1
Sainsbury	1,200	254	+3
Scott & Newcastle	534	356	-2
Sears	15,000	113	+5½
Sedgwick	768	270	
Shell Transport	2,400	424	-2
Siebe	409	483	-7
Slough Ests	111	298	-1
Smith & Nephew	619	136	+1½
SmithKline Beecham	1,200	550	+4
Smiths Industries	827	269	+2
Standard Chartered	498	493	+7
Storehouse	1,500	116	-1
Sun Alliance	798	292	
T&N	493	191	+3
TI Group	316	422	+5
TSB	7,800	105	+1
Tarmac	1,900	244	+4
Tate & Lyle	51	261	+4
Taylor Woodrow	148	272	+10
Tesco	1,700	182	
THORN EMI	636	741	+14
Trafalgar House	1,900	338	+9
Trusthouse Forte	6,100	279	+9
Ultramar	451	319	
Unilever	1,300	654	
United Biscuits	850	351	+3
Utd. Newspapers	224	448	
Wellcome	1,100	666	+18
Whitbread 'A'	604	360	-5
Williams Hldgs.	725	223	-1
Wimpey	216	225	-1

Carlton in the limelight

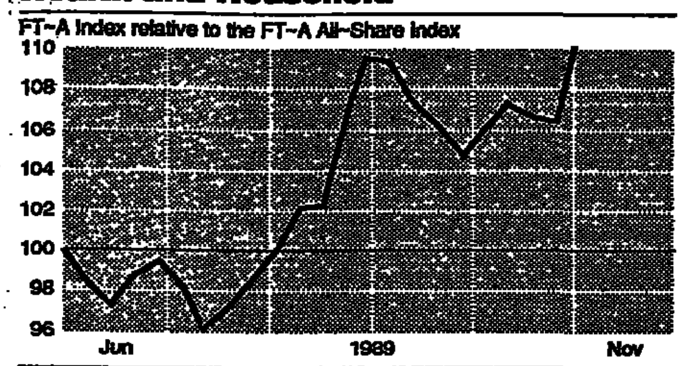
Carlton Communications posted one of the sharpest rises in the FT-SE 100 as suggestions that the company might be about to dispose of the Cosworth high performance engines operation, seeped into the market. The plan was later confirmed to the FT.

The rise of 32 to 778p began with a bear squeeze in New York, where buy orders produced a similar squeeze in London, and continued with the help, said dealers, of a presentation to investors at Warburg Securities.

Analysts elsewhere argued that the company had been oversold last week in the wake of steep falls across the whole market. They said that "scrappy US selling" had been misinterpreted as an ebbing of confidence in Carlton, which is traded at a strong premium to the market.

Health and Household

FT-A Index relative to the FT-A All-Share Index



Focus on Mecca

Mecca Leisure, among the UK's leading leisure companies, moved up strongly throughout a busy session to touch 158½p, before coming off the top to close a net 6 firmer at 157p; turnover came out at 1m.

Dealers said the rise in the shares followed news of the sale of 11 provincial discotheques and two public houses to Midsummer Leisure for £4.25m. These sales, together with recent disposals of the Olivers (UK) coffee shop business and its management and 20 other disposals of catering and general leisure businesses, brings the total of disposals by Mecca this year to approximately £28m.

But a story in the market suggested a considerably bigger deal involving Mecca is imminent. The leisure group is thought to be on the brink of selling its Maxims and Clermont casinos for a sum thought to be in excess of £50m and possibly £60m.

"If this is the case, it has to be seen as very positive for Mecca – it is a super price for the casinos and will reduce gearing considerably," said one specialist.

Sears sceptics

A series of bullish stories swirled around Sears and, despite a generally sceptical reaction from analysts and marketmakers, the shares rose 5½ to 113p.

The speculation was fuelled by exceptionally strong turnover of 15m shares, and was sparked by an early large buy order from the US.

The suggestions were of a possible bid from an Australian source - dealers pointed out that Mr Robert Holmes à Court, the Australian financier has been linked with Sears on previous occasions. The other tale was that the Al-Fayed brothers had passed on their 10 per cent stake in the company. Both ideas were given short shrift by market professionals. Tension remained high around Jaguar shares but trading was less active yesterday as London traders waited for a move from either Ford Motor of General Motors, the two giant US suitors for the UK car manufacturer. At 879p, the shares added another 10p with 5.8m shares turned over. Once again, most of the business came from arbitrageurs who have been building stakes in Jaguar and who can be relied on to vote in favour of any proposal to remove the UK Government's golden share.

Tate & Lyle rallied on speculation that it was set to sell off Unitank Storage, its bulk liquid storage business for £90m. Mr Mark Lynch of Laing & Cruickshank said Unitank was not central to Tate's main areas of business and a disposal would not be a surprise. However, Tate may not use such a sale to cut its high gearing levels. It is reported to be interested in bidding for the Californian & Hawaiian Sugar Company's West Coast sugar refiner. He added, though, that Tates's strong overseas exposure and the likely announcement of its disposal of its automotive plastics business would add further strength. Tate finished 4 up at 261p.

There was precious little to report in the clearing banks, where turnover in the "big-four" only topped the million mark in Barclays, which ended a fraction harder at 464p on 1.1m.

In TSB it was a different matter. A single trade of 5m shares in mid-morning failed to arouse any big action and was said by specialists to have been the tail end of a big selling order carried out by one of the US securities houses; "it seems, however, that the stock was snapped up," noted the specialist.

SG Warburg shares maintained their good showing, closing a further 17 higher at 435p; dealers said there had been keen support for the stock which uncovered a general market shortage. The merchant bank is expected to announce interim figures on November 22 with estimates of pre-tax profits of some £85m pencilled in by analysts conmpared with last time's £47m. Kleinwort Benson also drew good support, edging up 5 to 35p, after 337p.

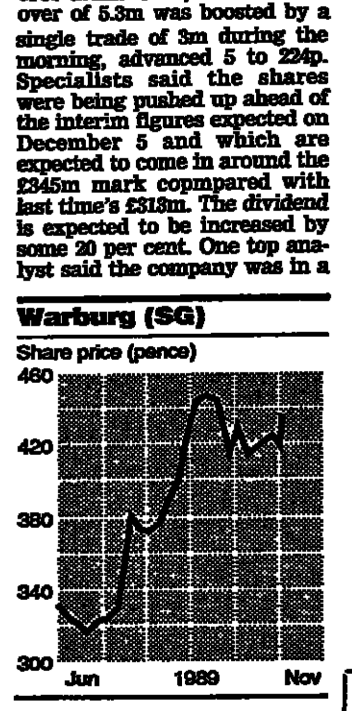
Inter City Holdings, the financial services group already involved in talks which could lead to a bid from a company called Domeaction, revealed that it is also holding discussions with financial services group York Trust. York said it has bought a 27.8 per cent stake in ICH from Throgmorton Trust, at 60p a share, thereby increasing their stake to 29.98 per cent.

In the lifes Sun Life were outstanding, advancing 23 to 1168p, after 1170p on talk that French group UAP had been back in the market to top up its stake which was last revealed as in the region of 22.4 per cent.

The spate of buy notes on Cable and Wireless prompted sufficient demand to drive the shares up 10 to 498p on turnover of 2.4m. GEC, where turnover of 5.3m was boosted by a single trade of 3m during the morning, advanced 5 to 224p. Specialists said the shares were being pushed up ahead of the interim figures expected on December 5 and which are expected to come in around the £345m mark compared with last time's £313m. The dividend is expected to be increased by some 20 per cent. One top analyst said the company was in a very strong position – "Plenty of cash, even post-Plessey, meaning it is a beneficiary of high interest rates, and with then additional benefit of overseas earnings of 50 per cent.

Warburg (SG)

Share price (pence)



Unitech rose 6 to 367p on news that Dr Tito Tettamanti, the Swiss arbitrageur, and his associates now speak for 17.15 per cent of the shares.

Thorn EMI made further progress, adding 14 more at 741p with dealers saying the company is a big beneficiary of satellite sales, via its rental packages, which are increasing sharply in the run up to Christmas.

An 82 per cent profits slump at Davenport Knitwear knocked the shares down 20 to 415p.

A cautiously optimistic interim statement from Reed International, and results towards the better end of expectations, helped the shares outperform the market with a rise of 15 to 397p.

News that BTV had delayed its 1989 report and accounts and annual meeting knocked the shares below 100p. They clawed their way back to 107p by the close, a net decline of 6.

British Gas edged up 1¼ to 189p with the stock still restrained by recent worries over political risks and competition fears. BP managed a minor improvement at 297p and Shell eased a shade to 424p.

Enterprise Oil and LASMO were the best performers, both stocks adding 9 at 606p and 519p respectively. The former were boosted again by the prospect of its imminent drilling programme off the coast of Vietnam. Dealers said that a discovery of something like 200m barrels would be worth in excess of 80p a share. It was pointed out that another major Enterprise drilling success, as with the discovery of the Nelson oilfield last year, triggered a rise of 70p in the Enterprise share price in two weeks.

LASMO "joined in the fun," according to a sector specialist, reflecting its big international drilling programme. Premier hardened to 107p, still excited by its forthcoming Thailand drilling programme. Burmah closed 6 higher at 679p with traders noting that Citicorp Scrimgeour Vickers, the broking firm thought to have built up the SHV stake in Burmah during recent months, were on the bid for much of the session. Calor, also implicated in the SHV/Burmah stories recently and where SHV has a 44 per cent stake, edged up 3 to 424p.

In the more speculative end of the oil sector, itself a traditionally volatile area, there was a hint of imminent developments at Tuskar Resources, involved in oil exploration in Colombia. Dealers mentioned market suggestions that one of the large UK oil groups – possibly LASMO or Enterprise – could well be interested in a farm – in deal with Tuskar which has already enjoyed some drilling success in South America.

The Warburg and BZW buy notes, plus continued optimism over the near future course of metal prices, prompted further good support for mining stocks.

Analysts and marketmakers were sceptical of renewed suggestions that Sir Ron Brierley, the New Zealand entrepreneur, had passed on his stake of about 15 per cent in Vickers. The share nevertheless rose to 228 before subsiding to 224p, still 6¼ better on the day.

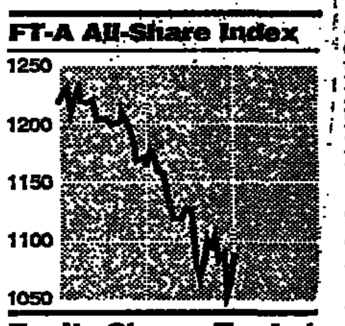
A recommendation from County NatWest WoodMac helped GKN put on 5 at 384p on moderate turnover of 1.1m shares.

News that Bermuda-based conglomerate ADT had edged its stake in BAA up to 5.56 per cent, helped the latter's shares add 4 at 338p. Parallels have been drawn in the market between Jaguar and BAA, both being companies that were privatised with Government "golden shares" intended to prevent takeovers. ADT closed a penny better at 188p.

Sea Containers' extensive plans to sell assets as a defence against the joint bid from Tiphook and Swedish company Stena left Tiphook 16 better at 425p. Part of the plan is to sell of Sea Containers' Isle of Wight Ferry service, and as the markets attention was drawn to the implication of the move, Southampton Isle of Wight and South of England Royal Mail Steam Packet, which trades as Red Funnel, jumped 15 to 130p.

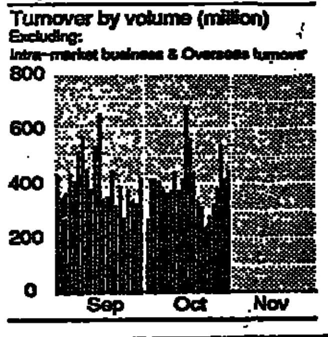
■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 24

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1989

NEW HIGHS ( ).
AMERICANS (2) FPL Group, Hasbro, BANKS (2) Guiness Mahon, HK & Shang., CHEMICALS (1) Costain Bros., STORES (1) Aquascutum, INSURANCE (1) Alexander & Alexander, MOTORS (1) Jaguar, NEWSPAPERS (1) Maxwell Comms., TRUSTS (4) Drayton Far East, Fleming Far Eastern, Fleming Japanese, Precious Metals Tst, OILS (2) Burmah, Chevron, MINES (7) Cluff Oil Warrants, Dominion Mining, Elandsrand, Mid Wits, Rus. Plat., St. Helena, West Rand.
NEW LOWS ( ).
BRITISH FUNDS (2) Consols 4pc, War Loan 3½pc, FOREIGN BONDS (1) Ireland 9¾pc 1991-96, AMERICANS (2) Brunswick, Gt. American Bank, BREWERS (1) Greene King, BUILDINGS (1) Miller (Stan), STORES (1) Propeller, ELECTRICALS (2) Newmark (Louis), Riva, ENGINEERING (1) Chemring Pf, INDUSTRIALS (5) Amer Group, Grampian Hldgs., Hartons 7pc Pf, Lincat, Wills Group, LEISURE (2) Classic Th'breds., Mecca Leisure, MOTORS (1) BTS, PROPERTY (5) Cussins Prop, Daejan, INOCO, Sellmans, Slough Estates 12¼pc, Waterglade 7¼pc Pf, TRUSTS (3) Jakarta Fd., Kleinwort Smaller Co's., Smith New Court, THIRD MARKET (2) Leading Leisure, Royal Sovereign.

BUSINESS LAW

No right of silence for companies

By A.H. Hermann

In judgments* handed down in the course of September and October the European Court almost entirely rejected complaints by four major chemical companies that the Commission had abused its power in carrying out searches of their premises. Subsequently, in December 1988, the Commission fined 23 chemical companies nearly £40m for operating a PVC and low density polyethylene cartel. The decision is still under appeal.

If there was a cartel, it achieved little in the way of price fixing; by contrast, the affair provided the European Court with an opportunity for a constitutional innovation: it established a far-reaching supremacy of the EC authorities over national authorities and courts in whose territory they conduct investigations.

The complaints addressed by the four companies to the Court concerned, in the first instance, the question of whether the Commission's inspectors may enter company premises without a court warrant and seize documents and make copies of them against the protest of the company concerned.

This issue was raised in the Hoechst appeal against a daily enforcement fine imposed by the Commission. Hoechst had refused to submit to searches of its premises in the absence of a court warrant without which German authorities cannot conduct similar searches – the law is much the same in the UK.

The Commission insisted that it could proceed with such investigations without any assistance from the national authorities, and imposed on Hoechst a daily enforcement fine. This caused considerable displeasure in the Federal Cartel Office in Berlin, which was already piqued by not having been informed by the Commission of its intentions. The German courts first refused, but later granted a warrant, and Hoechst reluctantly submitted to the searches.

Before the European Court, the Commission tried to obtain judicial blessing for its assertion that it can search premises without the assistance of national authorities. The Court refused to grant this but, none the less, dismissed the appeal against the fine which covered a period before the German search warrant was granted. It also weakened substantially the role of the national authorities in such investigations.

By holding that the national authorities must not question the reasons and objectives of a Commission decision ordering a company to submit to searches, the Court has reduced the role of a national court asked to issue a search warrant to rubber-stamping the Commission's decisions. If the national court must not consider the reasons for, and objectives of, an application for a warrant, there really is no need for such a court to be involved at all. The identity of the inspectors and the authenticity of the decision could be determined much more simply, for example, by a diplomatic representative of the country concerned in Brussels.

The Court also rejected the companies' complaint that their fundamental right to inviolability of premises had been infringed. Human or fundamental rights, said the Court, need to be respected only when dealing with individuals, and did not apply to companies – a rather curious decision considering that companies necessarily consist of individuals.

Finally, in direct answer to the Hoechst's threat – made before a court warrant was issued – that it would ask for police protection against "burglary" by the Commission's agents, the Court established the superiority of the Community's "public interest" in the observance of competition rules over the public interest in proper administration of justice. It said: "Higher interests of justice cannot justify such (refusal of co-operation) which is contrary to the obligations of all who are subject to Community law."

These obligations, continued the Court, require companies to have due respect for the actions and effectiveness of Community organs. Their decisions remain enforceable as long as the European Court has not ordered the suspension of their enforcement. This means that companies now have a duty of unconditional obedience towards the Commission's inspectors even if their actions infringe national laws or fundamental human rights.

In contrast to Hoechst, Dow Benelux co-operated fully with the Commission's inspectors and let them see and take whatever they wanted, although under protest. It hoped the Court would annul the inspection and prohibit the Commission from using in evidence whatever documents it obtained by searches which the company considered to be illegal. However, the Court rejected this complaint and elaborated further on the relationship of the Commission and the national authorities, including courts.

The Commission, said the Court, should respect the procedural guarantees of national law and provide national authorities with the necessary information to satisfy the local procedural requirements. The national authorities in their turn "must not substitute their own appreciation of the need for searches for that of the Commission whose evaluation of facts and law is subject solely to a review by the European Court."

As it usually does on such occasions, the Court arrived at this far-reaching conclusion by going right back to the introductory articles of the EEC Treaty, which outline its objectives in general terms, to give a new and unexpected meaning to the more specific provisions of Regulation 17/1962.

As if shocked by its own audacity (but more probably as a result of horse-trading on the bench) the Court added a soothing postscript: national authorities, it said, have the power to see that the Commission's decisions are not enforced by excessive or arbitrary means or in a way infringing national law.

The Court treated in a similar, ambivalent way the privacy of the information obtained by the Commission. It held that the information must not be used for another purpose than stated in its decision, but immediately contradicted this by saying: ". . . this does not mean that the Commission cannot open new investigations to verify or supplement information which it obtained incidentally in the course of previous searches if this points to the existence of infractions . . ." In other words, it provided a charter for fishing expeditions.

The complaints of Orkem, the French chemical company, and of Solway & Cie of Belgium raised the issue of self-incrimination and the right of silence.

The EEC Treaty obliges the Court to respect the principles of law common to member states. The companies argued that the right to avoid self-incrimination is such a principle embodied in national laws of all member states and several international pacts. The Commission, supported by the French Government, argued that the Community law of competition does not give companies any right to refuse information leading to self-incrimination. Only in the UK did companies have criminal responsibility, argued France and the Commission, and that was not enough to make this into a general principle which the Court had to respect. Accepting this argument, the Court reasoned that the imposition of penalties (£40m in this case) could not be of a penal nature and the safeguards of criminal procedure cannot benefit companies in the course of investigations conducted by the Commission.

However, the Court accepted that these investigations are subject to certain limits to prevent impairment of the rights of defence in subsequent court proceedings. For this reason, the Commission must not oblige companies to confess to transgressions, whose existence was up to the Commission to prove. Consequently, the Court struck out two questions from the Commission's decisions addressed to Orkem and to Solway which required the companies to describe the operation and enforcement of a price and quota cartel, the existence of which was only presumed by the Commission. But the Court upheld other questions of the Commission pursuing the same objective less directly.

In conclusion, one can say that the four judgments of the European Court somewhat strengthened the companies' defence against self-incrimination, but substantially weakened the constitutional position of member states and their possibility of protecting their residents against arbitrary measures of investigation ordered by the Commission.

**The cases are:*

Hoechst v Commission, cases 46 & 227/88, September 29 1989

Dow Benelux NV v Commission, case 85/87, 17 October 1989

Orkem v Commission, case 374/87, October 18 1989

Solway & Cie v Commission, case 27/88, October 18 1989

Dr Hermann is D.J. Freeman & Co Senior Research Fellow in International Trade Law at Queen Mary College, University of London.

APPOINTMENTS

Rudolph Agnew joins Hanson

■ Mr Rudolph Agnew has been appointed a non-executive director of HANSON. He was, until recently, chairman of Consolidated Gold Fields.

■ Mr Keith Jones has been appointed a director of Lazard Investors, investment management subsidiary of LAZARD BROTHERS & CO.

■ Mr Pierre Vinken will join the board of THE ECONOMIST NEWSPAPER on November 29. He is chairman of the Dutch publishing group Elsevier, and a director of Pearson.

■ Mr Ian McIntosh has joined the board of IMI as a non-executive director. He is deputy chief executive and head of corporate finance at Samuel Montagu & Co.

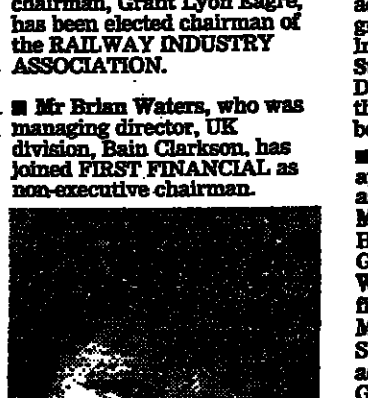
■ Private Fund Managers, an EDINBURGH FUND MANAGERS subsidiary, has appointed three directors to handle private client portfolios. They are: Mr Michael Tait and Mr Simon Tallboys, both from Scrimgeour Vickers, and Mr Tim Woods, from Flemings.

■ LOMBARD TRICITY FINANCE, part of the National Westminster Bank Group, has promoted Mr Ivor Puckey from head to director of management information services.

■ Mr Anthony French, who speaks fluent English, French, German, Russian and Serbo-Croat, has been appointed European director of THOMAS COOK. He was a main board director at Boosey & Hawkes.

■ Mr A.V.L. Williams, general manager, British Steel Track Products, general manager, British Steel Engineering, and chairman, Grant Lyon Eagre, has been elected chairman of the RAILWAY INDUSTRY ASSOCIATION.

■ Mr Brian Waters, who was managing director, UK division, Bain Clarkson, has joined FIRST FINANCIAL as non-executive chairman.



BARCLAYS BANK has appointed Mrs Rosemary Horwood (above) as systems director, central retail services division. She was director of technology, TSB banking services.

UK member of IASC board

■ Mr Peter Stilling has been appointed as one of the two UK members of the board of the INTERNATIONAL ACCOUNTING STANDARDS COMMITTEE from January 1. He is senior professional partner of Touche Ross UK, and chairman of the accounting and auditing policy group of Touche Ross International. Mr Chris Stronge, deputy senior partner, Deloitte, Haskins & Sells, is the other UK member on the board of IASC.

■ MYNSHUL GROUP has appointed Mr Howard Roberts as managing director of Mynshul Insurance Brokers. He was director of Leslie & Godwin (UK). Mrs Hazel Walker has been appointed financial controller for Mynshul Bank, Manchester. She was group financial accountant of the Skipper Group.

■ Ms Barbara Bufton has been appointed group marketing director of THE JENKINS GROUP.

■ GRAND METROPOLITAN has appointed Mr Bill Shardlow as group personnel director. He also joins the management committee of the board. Mr Shardlow was personnel director of GrandMet subsidiary IDV.

■ WOOLWORTHS has appointed Mr Graham Rider as financial controller.

PHILIPS TELECOMMUNICATION AND DATA SYSTEMS, Heathrow, has appointed Mr Lars Nyberg (above) as UK group managing director. A Swedish national, he was Philips general manager, Nordic region.

■ Mr David Bishop has been appopinted assistant general manager, treasury division, BANQUE INDOSUEZ, London. He was director in the treasury division at Kleinwort Benson.

■ Mr Richard Gibbs and Mr Antony Westbrook have been appointed directors of MEPC DEVELOPMENTS.

■ ALLIANCE & LEICESTER has appointed Mr Robert Medlam to the group board. He retired recently as executive director, corporate banking, Lloyds Bank Group.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	54.75	54.75	58.56	+0.15	4.68
Gilts & Fixed Int	6	108.90	108.90xd	115.90	-0.10	8.63
High Inc Equity	6	126.10	129.60xd	137.90	+1.00	4.60
Worldwide Bond	6	204.70	204.70	217.60	-2.30	4.87
Capital Growth						
American Growth	6	199.90	202.50	215.50	+3.50	0.80
Asian Pacific	6	114.30	116.90	124.40	+0.60	1.05
Assets & Earnings	6	148.00	152.50	162.30	+0.40	2.28
Capital Reserve Acc	0	87.70	87.70	87.81	-0.07	4.56
Capital Reserve Inc	0	77.85	77.85	77.94	-0.07	5.13
Comdty & Energy	6	111.40	111.40xd	119.20	+0.30	1.59
1992 Enterprise	6	57.48	57.48	61.48	+0.59	2.06
Euro Capital Acc	6	93.61	94.65	100.70	-0.10	0.74
Euro Capital Inc	6	90.44	91.49	97.34	+0.07	0.77
General	6	167.20	167.20	178.90	+1.40	2.79
International	6	56.54	56.37	59.97	+0.35	0.83
Japan	6	122.80	125.40xd	133.50	-0.60	0.00
Mastertrust	6	89.73	89.73	95.87	+0.34	1.77
UK Growth Acc	6	177.20	177.20xd	189.60	+0.70	1.48
UK Growth Dis	6	117.00	117.00xd	125.20	+0.40	2.24
US Emerging Cos	6	54.09	55.88xd	59.45	+0.85	0.00
Income & Growth	6	283.60	290.90	309.50	-2.60	3.31
Ethical	6	44.73	44.73	47.84	+0.35	2.09
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	33.15	33.15xd	35.39	+0.32	2.77
European	5¼	71.54	71.78	76.62	-0.31	0.00
Metropolitan Unit Trust Mngrs Ltd (1000)F						
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184						
Eurogrowth Plus	6	63.42	64.56	68.68	+0.56	0.69
Global Growth	5¼	45.14	45.14xd	48.02	+0.08	0.52
Global Income Acc	5¼	59.89	60.17	64.01	+0.29	3.12
Do Income	5¼	56.11	56.37	59.97	+0.27	3.34
Sunrise Accum	6	67.27	68.57	72.95	+0.41	0.00
UK Growth Acc	5¼	54.51	54.51	57.99	+0.63	1.72
UK Income Acc	5¼	63.08	64.77xd	68.90	+0.19	4.35
Do Income	5¼	58.71	60.29xd	64.14	+0.39	4.68
Pembroke Administration Ltd (1700)F						
18-19 Sandland St, London WC1R 4PZ 01-430 0556						
Pembroke Accum	5	81.84	84.87	89.95	—	2.43
Perpetual Unit Tst Mngmt (1200)F						
48 Hart Street, Henley on Thames 0491 576868						
International Gwth	5¼	360.43	360.43	385.49	+3.42	1.44
Income	5	226.30	226.30xd	242.04	+2.66	4.95
W'wide Recovery	5¼	210.17	210.17	224.79	+1.88	1.65
American Growth	5¼	95.22	95.22	101.75	+1.35	1.35
Intl Emerging Cos	5¼	95.34	95.34	101.97	+0.85	0.92
Far East Gwth	5¼	140.23	140.23	149.98	-0.16	2.00
European Gwth	5¼	87.40	87.40	93.48	+0.14	1.10
UK Growth	5¼	43.33	43.33	46.35	+1.01	2.66
High Income	5¼	54.91	55.34	59.19	+0.39	6.60
Japanese Gwth	5¼	151.07	151.07	161.31	-1.18	0.01
PEP Gwth & Inc ♦	5¼	49.94	49.94	52.78	(z)	3.50
Phillips & Drew Unit Managers Ltd						
14 Finsbury Square, London EC2A 1PD 01-628 6070						
Charities Fxd Int		97.69	97.69	97.82	+0.09	10.0
Charities Intl Ltd		103.97	103.97	104.12	+1.57	2.4
UK Exempt		97.85	97.85	100.3	—	3.1
Charities Intl		110.84	110.84	112.58	—	2.5

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INSURANCES

Continued on next page

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Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	122.0	129.0	----	–
Building Soc. Fd.	176.0	186.0	----	–
Balanced	273.0	288.0	----	–
European	185.0	195.0	+1.0	–
GT Managed	184.0	194.0	+1.0	–
Gartmore Mngd.	126.0	133.0	+2.0	–
German	141.0	149.0	----	–
Gilt	173.0	183.0	−1.0	–
Global	48.0	51.0	----	–
High Inc.	107.0	113.0	----	–
International Equity	190.0	200.0	+1.0	–
Japan	276.0	291.0	+1.0	–
Managed	56.0	59.0	+1.0	–
Property	294.0	310.0	----	–
R. W. Imperial Gold	149.0	157.0	----	–
UK Equity	312.0	329.0	+1.0	–
Pension Funds				
American	154.0	163.0	----	–
Building Soc. Fd.	179.0	189.0	----	–
Balanced	217.0	229.0	----	–
European	187.0	197.0	----	–
German	125.0	132.0	----	–
Gilt	154.0	163.0	----	–
International Equity	141.0	149.0	----	–
Japan	146.0	154.0	----	–
Managed	61.0	65.0	----	–
Property	225.0	237.0	----	–
UK Equity	300.0	316.0	+1.0	–

Professional Life Assurance Co Ltd
Frobisher Hse, Nelson Gate, Southampton 0703 232323

	Bid Price	Offer Price	+ or −	Yield Gross
Pensions Managed Fund	91.41	96.63	----	–
Pensions Cash Fund	81.15	85.42	----	–

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Balanced Gwth Mngd.	599.0	631.2	+2.2	–
Adventurous Mngd.	129.0	136.0	+0.7	–
Secure Mngd	109.0	115.9	----	–
Cash Fd.	240.3	253.3	----	–
Property Fund	297.9	314.0	----	–
Equity Fund	675.4	711.7	+2.9	–
Fxd. Int. Fund	292.8	308.6	+0.6	–
International	326.4	347.3	+0.7	–
High Income	441.8	470.0	+2.8	–
Far East	446.7	475.3	−0.9	–
North American	290.0	308.6	+2.7	–
Special Sits	597.6	635.8	+3.1	–
Technology	261.2	277.9	+1.9	–
Extra Inc Fd.	261.9	278.7	+4.7	–
Convertible & Gilt Fd.	150.4	160.1	−0.3	–
American Income	137.8	146.6	+1.0	–
Gilt Fund 20	304.0	323.5	+0.4	–
European Fund	108.0	114.9	+0.6	–
Pref & Fixed Int.	101.3	106.8	−0.3	–
Equity Income Dist.	–	–	----	–
Managed Dist.	–	–	----	–
Pension Funds				
Balnd Gth Mgd Pens Acc.	576.5	606.9	+1.8	–
Adventurous Mgd Pens Acc.	124.0	130.6	+0.7	–
Secure Mngd Pens Acc.	109.0	114.8	+0.1	–
Building Soc. Acc.	253.3	266.7	----	–
Property Pens. Acc.	303.43	319.4	----	–
Fix. Int. Pens. Acc.	411.9	433.6	+1.1	–
Equity Pens. Acc.	752.6	792.3	+2.9	–
International Pens Acc.	299.8	315.6	+0.8	–
High Inc Pens Acc.	476.0	501.1	+3.3	–
Tech Pens Acc.	169.1	178.1	+1.5	–
N American Pens Acc.	198.0	208.5	+2.0	–
Far Eastern Pens Acc.	439.1	462.3	−0.9	–
Special Sits Pens Acc.	485.0	510.6	+2.7	–
Extra Income Pens Fd.	313.9	330.5	+2.3	–
Convertible & Gilt Pen.	164.2	172.9	−0.4	–
American Inc Pens.	152.0	160.1	+1.3	–
European Pens.	114.7	120.8	+0.7	–
Managed Cash Pens.	116.5	122.7	----	–
Pref & Fixed Pens.	104.2	109.7	−0.3	–
Other Funds				

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100	98	Exch 10¼pcCv '89	100xd	.....	–	–
101	99	Treas 13pc 1990‡‡	99		13.07	14.85
133	124	Treas 2pc IL '90(84.6)	132	.....	2.09	9.98
99	98	Exch 11pc 1990‡‡	98		11.12	14.44
101	99	Exch. 12½pc 1990	99¼		12.59	14.49
95	91	Treas. 3pc 1990	95		3.13	11.42
97¼	95	Treas 8¼pc 1987-90‡‡	96		8.51	13.55
98	95¼	Treas. 8pc Cv 1990‡‡	96		8.30	13.49
98	96	Treas. 10pcCv 1990	96		10.32	13.44
93	87	Exch 2½pc 1990	92		2.70	9.98
101	98	Treas 11¾pc 1991	98½		11.93	13.04
93¾	89	Funding 5¾pc '87-91‡‡	92¾		6.20	11.42
90	86	Treas. 3pc 1991	90		3.32	9.87
100	95½	Treas 10pc Cv '91‡‡	96		10.38	12.41
101	96	Exch. 11pc 1991	97		11.25	12.31
94	91	Treas. 8pc 1991	92		8.68	12.29
106	100	Treas 12¾pc 1992‡‡	101		12.54	11.80
99½	95	Treas 10pc 1992	96		10.38	11.82
94	90	Treas. 8pc 1992‡‡	92		8.69	11.82
100¾	96	Treas 10½pc Cv 1992‡‡	97½		10.76	11.66
85¾	82¼	Treas. 3pc 1992	84		3.55	9.88
105	100	Exch. 12¼pc '92	101		12.09	11.65
109¾	103	Exch 13½pc 1992	104		12.90	11.55
94	90	Treas 8¼pc 1993	91		9.03	11.43
100	95	Treas 10pc 1993‡‡	96		10.38	11.30
108	102	Treas 12½pc 1993‡‡	103		12.08	11.30
88	84	Funding 6pc 1993‡‡	87	.....	6.90	10.16
113¾	107	Treas 13¾pc 1993‡‡	108		12.72	11.22
94	89	Treas. 8½pc 1994	90		9.36	11.26
117	111	Treas 14½pc 1994‡‡	111		12.99	11.04
113	107	Exch 13½pc 1994	108		12.50	11.18
100	95	Treas. 10pc Ln. 1994‡‡	96		10.39	11.05
110¼	104	Exch. 12½pc 1994	104		11.93	11.16
		Five to Fifteen Years				
96	91	Treas 9pc 1994‡‡	92		9.72	10.94
108	102	Treas 12pc 1995	103		11.61	11.11
79¾	72	Exch 3pc Gas 90-95	76½	.....	3.92	8.42
101	95¼	Exch. 10¼pc 1995	96¾		10.58	10.99
113	107	Treas 12¾pc 1995‡‡	108		11.79	10.88
119	112	Treas. 14pc '96	112		12.41	11.06
97½	91	Treas. 9pc 1992-96‡‡	92		9.76	10.71
126	119	Treas 15¼pc 1996‡‡	119		12.74	10.93
117	110	Exch 13¼pc 1996‡‡	110		11.95	10.88
101	94	Conversion 10pc 1996	96		10.38	10.76
118	110	Treas 13¼pc 1997‡‡	111		11.86	10.84
104	97	Exch 10½pc 1997	98		10.64	10.74
95	88	Treas 8¾pc 1997‡‡	90		9.65	10.52
128	120	Exch 15pc 1997	121		12.39	10.96
100	93	Exch. 9¾pc 1998	95		10.25	10.64
84	78	Treas 6¾pc 1995-98‡‡	80		8.40	10.22
134	125	Treas. 15½pc '98‡‡	126		12.27	10.81
113	105	Exch. 12pc 1998	107		11.21	10.75
100	93	Treas 9½pc 1999‡‡	94		10.02	10.37
115	107	Exch. 12¼pc 1999	109		11.25	10.71
105	97	Treas. 10½pc 1999	99		10.56	10.59
104	96	Conversion 10¼pc 1999	98		10.46	10.58
94	86	Treas. 8½pc Ln 2000‡‡	88		9.59	10.31
97	90	Conversion 9pc 2000‡‡	91		9.82	10.33
122	113	Treas. 13pc 2000	114		11.38	10.71
103	95	Treas 10pc 2001	97		10.30	10.42
124	115	Treas. 14pc '98-01	116		11.98	10.92
102	94	Conversion 9¾pc 2001	95		10.19	10.38
113	105	Exch. 12pc '99-02	106		11.22	10.77
104	96	Conversion 10pc 2002	98		10.22	10.31
102	94	Treas 9¾pc 2002	96		10.14	10.28
97	89	Exch. 9pc 2002	91		9.86	10.21
126	117	Treas. 13¾pc 2000-03	118		11.59	10.76
105	97	Treas 10pc 2003	99		10.11	10.14
113	104	Treas. 11½pc 2001-04	106		10.85	10.58
106	97	Treas. 10pc 2004	99		10.08	10.10
59¾	55	Funding 3½pc '99-04	56		6.19	8.83

BRITISH FUNDS—Contd

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
102	94¼	Conversion 9½pc 2004	95		9.91	10.04
		Over Fifteen Years				
103	94½	Conversion 9½pc 2005	96		9.89	10.00
111	102	Exch.10½pc 2005	104		10.10	10.00
125	115	Treas. 12½pc 2003-05	117		10.67	10.17
90	82	Treas. 8pc 2002-06‡‡	84		9.49	9.93
105	97	Conversion 9¾pc 2006	98		9.90	9.93
118	109	Treas. 11¾pc 2003-07	111		10.58	10.19
96	87	Treas 8½pc 2007‡‡	89		9.53	9.79
134	123	Treas. 13½pc '04-08	125		10.78	10.12
101	92	Treas. 9pc 2008‡‡	93		9.60	9.72
92	84	Treas 8pc 2009	85		9.37	9.67
102	93	Conv 9pc Ln 2011‡‡	94		9.56	9.65
68	62	Treas. 5½pc 2008-12‡‡	63¼		8.70	9.46
89	82	Treas. 7¾pc 2012-15‡‡	82½		9.39	9.59
132	121¼	Exch. 12pc '13-'17	121		9.87	9.66
		Undated				
45	41	Consols 4pc	41		9.74	–
40	36	War Loan 3½pc‡‡	36		9.61	–
70	60	Conv. 3½pc '61 Aft	62		5.62	–
41	31	Treas. 3pc '66 Aft	32		9.21	–
30¼	25	Consols 2½pc	25		9.73	–
29½	25	Treas. 2½pc	25		9.80	–
		Index-Linked (b)			(1)	(2)
112¾	103	Tr. 2pc '92‡‡(97.8)	111	.....	2.78	3.90
105	94	Do. 2 '94 (102.9)	103	.....	2.96	3.54
155	139	Do. 2pc '96(67.9)	152	.....	3.06	3.45
130	118	Do 2½pc '01(78.3)	128		3.39	3.65
127	115	Do. 2½pc '03(78.8)	125		3.46	3.69
131	117	Do. 2pc '06(69.5)	129		3.49	3.68
123	110	Do. 2½pc '09(78.8)	120		3.50	3.67
128	114	Do. 2½pc '11(74.6)	125		3.49	3.65
106	95	Do. 2½pc '13(89.2)	104		3.47	3.62
115	101	Do. 2½pc '16(81.6)	113		3.43	3.57
112	100	Do. 2½pc '20(83.0)	110		3.39	3.52
95	84	Do. 2½pc '24‡‡(97.7)	93		3.34	3.46

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1989: 111.8 and for September 1989: 116.6.

INT. BANK AND O'SEAS

CORPORATION LOANS

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
102	99½	Birmingham 13½pc 1989	99½xd	−1	13.57	11.20
111½	102½	Do. 11½pc 2012	102½xd	−1	11.22	11.20
91	85½	GLC 6¾pc 1990-92	87½xd	.....	7.80	13.70
124½	116	Leeds 13½pc 2006	117½	.....	11.49	11.06
33	30	Liverpool 3½pc Irred	30xd	.....	11.67	–
95½	92	LCC 6¾pc '88-90	95½	+2	7.07	11.60
30	26	Do. 3pc '20 Aft	28xd	.....	10.71	–
107½	101½	Manchester 11½pc 2007	102½xd	.....	11.22	11.20

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
89½	86½	NZ 7¾pc 1988-92	87¼	−¼	8.31	12.50
206	206	S Rhod 2½pc Non-Asstd	206	.....	–	–
84½	84½	Do. 4½pc 87-92 Asstd	84½	.....	5.33	9.33

LOANS

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		Building Societies				
99	98	N'wide Anglia 11pc 6.11.89	99	.....	11.82	16.41
100	98	Do 12pc 4.12.89	99	.....	12.36	15.49
100	99	Do. 12pc 2.1.90	99	.....	12.88	15.43
100	98¾	Do. 12pc 29 1.90	99	.....	12.67	15.41
100	98¾	Do. 12pc 26 2.90	99	.....	12.80	15.11
100	98	Do. 12¾pc 19.3.90	99	.....	13.00	15.37
100	98	Do. 13¾pc 23.4.90	99	.....	13.50	15.38
100	98	Do. 13pc 14.5.90	98	.....	13.14	15.37
100	98	Do. 13pc 4/6/90	99	.....	13.79	15.28
100	99¼	Do. 14pc 2.7.90	99	.....	14.39	15.04
100	98	Do. 13⅝pc 23 7.90	98	.....	13.77	15.03
100	98	Do. 13pc 13 8.90	98	.....	13.60	14.92
107	98½	Do. 3¾pcIL Ln 2021	106½xd	+½	4.21	4.30
		Public Board and Ind.				
47	43	Met. Wtr. 3pc 'B'	46xd	.....	6.52	10.62

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
45	40	Greek 7pc Ass	40	.....	3.50	f8.75
45	40	Do. 6pc 28 Stb. Ass	40xd	.....	3	f7.50
45	40	Do 4pc Mixed Ass	40xd	.....	2	f5.00
80	65	Hung. '24 Ass	80	.....	2.75	f3.57
139	128	Hydro Quebec 15pc 2011	128		15.00	11.37
128	118	Iceland 14½pc Ln 2016	120		14.50	11.89
97¾	91¼	Ireland 9¾pc '91-96	91¼xd	−¼	9.75	11.60

AMERICANS

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
43¾	26¼	Abbott Laboratories	41xd		$1.40	–	2.1
579p	361p	Allegheny & W 1c	484p	+9	30c	–	3.9
18¾	12	Amax $1	13¼xd	+¼	80c	–	3.7
11¾	6	Ambase Corp $1	8¾xd		20c	–	1.4
15	744p	Amdahl 5c	754p	+10	h10c	–	0.8
37¾	25½	Amer. Cyanamid $5	31¾	+½	$1.35	–	2.7
25	14	Amer. Express 60c	23xd		84c	–	2.3

Continued on next page

OTHER OFFSHORE FUNDS

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Money Market Trust Funds

Money Market Bank Accounts

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
39¼	18¼	Gillette $1	28⅞	+1¼	96c	-	2.1
987p	548p	Gt American Bank Bl $1	548p	-6	20c	-	2.3
23⅞	16⅛	Greyhound $1½	19⅞	+⅛	$1.32	-	4.4
14¼	847p	Hasbro Inc 50c	14⅛	+⅛	16c	-	0.7
57½	32¼	Honeywell $1½	52⅝xd	+⅞	$2.75	-	3.3
22⅝	15¼	Houston Inds.	22⅛	+¼	$2.96	-	8.4
76⅞	62⅞	IBM Corpn $1¼	63¼xd	+¼	$4.84	-	4.8
60p	45p	Image Storage/R.Sys.1c	52p	.....	-	-	-
32⅞	18¾	Ingersoll-Rand $2	27⅞xd	+⅜	$1.20	-	2.8
33¼	22½	Lockheed Crpn. $1	28⅛xd	+⅛	$1.80	-	4.0
22⅝	15⅛	Lone Star Inds $1	16⅞xd	+⅛	$1.90	-	7.1
27⅞	17½	Louisiana Land 15c	24⅛xd	.....	$1.00	-	2.6
20½	11⅞	Lowe's 50c	19	+⅛	48c	-	1.6
28⅞	15⅞	Manuf. Hanover $1	23⅞	-⅛	$3.28	-	8.7
22⅝	13⅛	Merrill Lynch $1	18⅞	+⅛	$1.00	-	3.5
2477p	1910p	Molex Inc	2349p	-10	3.2c	-	-
30⅛	18¼	Morgan (JP) $2½	26¾xd	+⅞	$1.66	-	3.9
28½	24¼	Morris (Philip)	27⅞xd	+⅛	$1.13	-	2.6
54½	36¼	NYNEX $1	50⅛	+⅛	$4.36	-	5.5
44p	20p	N'wide Legal Serv.	23p	.....	-	-	-
24⅞	18¼	PHH Corp	22½	-⅛	$1.16	-	3.3
259p	179p	♦Pacific Agr.	190p	.....	-	-	-
27¼	19	Pacificorp $3¼	26⅛xd	+⅛	$2.76	-	6.3
30¼	16⅞	Pacific Telesis 10c	27⅛	.....	$1.88	-	4.3
22⅞	15¼	Pall Corp 25c	20⅛	+⅛	48c	-	1.5
55⅛	39⅛	Pennzoil 83 1/3c	51⅛xd	+2⅞	$3.00	-	3.7
42¼	28⅛	Quaker Oats $5	39⅞	+⅛	$1.40	-	2.3
32⅛	23½	Rep NY Corpn $5	29⅛xd	+⅛	$1.28	-	2.7
16¼	11⅞	Rockwell Intl. $1	15⅛xd	-¼	78c	-	3.2
29½	22	Sears, Roebuck 75c	24⅞	+⅛	$2.00	-	5.2
37½	21⅝	Southwestern Bell $1	35⅛	+⅛	$2.60	-	4.7
[illegible]							

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

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TEXTILES – Contd

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Finance, Land, etc

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OIL AND GAS – Contd

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Teas

MINES

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Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ◆◆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ..... y	87	+1
Craig & Rose £1 .. y	830	......
Finlay Pkg. 5p .... y	68	......
Holt (Jos) 25p .... y	1343	......

IRISH

Cap. 8½% Ln. 1991	£97	......
9pc Cap Ln. 1996	£96¼	–1
Fin. 13% 97/02	£117	......
Arnotts	400	......
Carrol (P.J.) ..... y	140	–5
Hall (R. & H.)	150	......
Helton Hldgs ..... y	88	......
IRG	227	+1
United Drug	138	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¼
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	120
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	31
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Plessey	22
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
Smithkline Bchm. A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property	
Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils	
Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines	
Lonrho	23
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar calm in advance of data

THE CURRENCY markets were calm yesterday as the US dollar waited for the release tomorrow of the latest employment report and sterling stabilised in the wake of the speech to Parliament on Tuesday by Mr John Major, the Chancellor of the Exchequer.

The dollar eased slightly in response to a batch of US economic indicators, which although they were slightly above expectations, still pointed to a weakening economy. US September factory orders, excluding defence, fell by 2.1 per cent after a 2.7 per cent rise in August. Including defence purchases, factory orders were unchanged, compared with the 2.8 per cent rise in August and slightly above economists' expectations of an 0.1 per cent fall.

Further evidence of the slower pace of economic growth came with the Federal Reserve's "biege book." The report, prepared for the meeting of the Federal Open Market Committee in mid-December, said consumer spending, manufacturing and construction activity was mixed around the nation. The Fed also said US resource industries, including energy and agriculture appeared to be improving.

The news of slower economic activity helped to depress the dollar slightly and reinforced the market's belief that the Fed may ease monetary policy before the end of the year to avoid a faster cooling of the economy.

However, the dollar was not depressed much below Tuesday's levels because of the approach of the October employment report tomorrow. The market consensus is for non-farm payroll employment to have risen by 150,000 persons, compared with the 209,000 person growth in September. The unemployment rate is expected to have risen to 5.4 per cent in October compared with 5.3 per cent in September.

Economists commented that a smaller than expected rise in non-farm payroll employment could spur the Fed to ease monetary policy. Until the release of the employment report, the dollar is expected to trade close to today's closing levels.

Dealers also noted, however, that the dollar rose against the yen, reflecting the yen's general weakness. They said that the yen remained weak because of a perception that Japanese monetary policy would not be tightened. The dollar closed in London yesterday at DM 1.8380, compared with DM 1.8410 on Tuesday. The pound rose to $1.5820 from $1.5780. The dollar also closed at Y143.10 from Y142.70 and at SFr1.6135 against SFr1.6145.

Sterling was steady after Mr John Major, the Chancellor told Parliament on Tuesday that he favoured a "firm exchange rate," and that the Government remained committed to lowering inflation. Sterling closed at DM2.9075 on Wednesday against DM2.9050 on Tuesday. It was also at SFr2.5525 against SFr2.5475 and at FFr9.8600 compared with FFr9.8575.

£ IN NEW YORK

Nov.1	Latest	Previous Close
£ Spot	1.5780-1.5790	1.5800-1.5810
1 month	0.84-0.83pm	0.89-0.88pm
3 months	2.39-2.36pm	2.51-2.48pm
12 months	8.38-8.28pm	8.55-8.45pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.1	Previous
8.30 am	88.4	88.4
9.00 am	88.4	88.5
10.00 am	88.4	88.5
11.00 am	88.4	88.4
Noon	88.5	88.2
1.00 pm	88.4	88.3
2.00 pm	88.5	88.4
3.00 pm	88.5	88.4
4.00 pm	88.5	88.4

CURRENCY RATES

Nov.1	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.23429	1.41617
U.S Dollar	7	1.27782	1.11533
Canadian $	12.46	1.50029	1.31108
Austrian Sch.	6½	16.5388	14.4447
Belgian Franc	10¼	49.3334	43.0547
Danish Krone	10½	9.14344	7.97743
Deutsche Mark	6.00	2.34799	2.05110
Neth. Guilder	7.00	2.65212	2.31543
French Franc	10¼	7.96979	6.95968
Italian Lira	13½	1724.38	1505.70
Japanese Yen	3¼	181.834	159.772
Norway Krone	8	8.81440	7.69357
Spanish Peseta	-	149.224	130.260
Swedish Krona	9½	N/A	7.15152
Swiss Franc	6.00	2.05921	1.80126
Greek Drach.	20½	210.086	183.517
Irish Punt	-	0.88345	0.772713

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Oct.31

CURRENCY MOVEMENTS

Nov.1	Bank of England Index	Morgan** Guaranty Changes %
Sterling	88.5	-22.5
U.S Dollar	69.7	-8.5
Canadian Dollar	104.7	+1.5
Austrian Schilling	108.0	+10.8
Belgian Franc	107.4	-5.1
Danish Kroner	105.6	+0.4
Deutsche Mark	115.4	+22.5
Swiss Franc	107.4	+16.3
Guilder	112.0	+15.1
French Franc	101.3	-14.2
Lira	99.2	-19.1
Yen	135.7	+66.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for Oct.31.

OTHER CURRENCIES

Nov.1	£	$
Argentina	1026.35-1034.90	650.00-655.00
Australia	2.0205-2.0230	1.2795-1.2805
Brazil	8.0595-8.2555	5.1990-5.2250
Finland	6.7170-6.7370	4.2470-4.2490
Greece	257.75-262.25	163.90-166.50
Hong Kong	12.3540-12.3670	7.8110-7.8130
Iran	113.80*	71.80*
Korea(Sth)	1053.65-1070.60	669.20-674.40
Kuwait	0.46770-0.47470	0.29850-0.29990
Luxembourg	61.00-61.10	38.50-38.60
Malaysia	4.2640-4.2745	2.6980-2.7000
Mexico	4137.75-4157.20	2616.00-2626.00
N. Zealand	2.6850-2.6910	1.7005-1.7035
Saudi Ar.	5.9300-5.9340	3.7495-3.7505
Singapore	3.0995-3.1050	1.9600-1.9620
S Af (Cm)	4.1755-4.1780	2.6395-2.6410
S Af (Fn)	6.2530-6.3795	3.9525-4.0325
Taiwan	40.95-41.05	25.90-25.95
U.A.E.	5.7345-5.8345	3.6720-3.6730

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.1	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0547	+1.40	+1.06	±1.5424
Danish Krone	7.85212	7.97743	+1.60	+1.26	±1.6419
German D-Mark	2.05853	2.05110	-0.36	-0.70	±1.1019
French Franc	6.90403	6.95968	+0.81	+0.47	±1.3719
Dutch Guilder	2.31943	2.31543	-0.17	+0.51	±1.5019
Irish Punt	0.768411	0.772713	+0.56	+0.22	±1.6689
Italian Lira	1483.58	1505.70	+1.49	+1.49	±4.0815
Spanish Peseta	133.804	130.260	-2.65	-2.65	-

Changes are for Ecu, therefore positive change denotes a weak currency
Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Nov.1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5725-1.5835	1.5815-1.5825	0.87-0.85cpm	6.52	2.56-2.53pm	6.43
Canada	1.8470-1.8605	1.8565-1.8575	0.49-0.38cpm	1.59	1.55-1.34pm	1.76
Netherlands	3.27½-3.28½	3.27¼-3.28½	2-1⅞cpm	7.09	5⅝-5¼pm	6.71
Belgium	60.85-61.20	61.00-61.10	28-26cpm	5.31	84-80pm	5.37
Denmark	11.28-11.32¼	11.30¾-11.31¾	3⅞-2¼orepm	3.05	10½-9½pm	3.54
Ireland	1.0915-1.0970	1.0940-1.0950	0.22-0.12ppm	1.86	0.68-0.58pm	2.30
W. Germany	2.90-2.93	2.90½-2.91	1¾-1⅝pfpm	6.96	5-4⅞pm	6.79
Portugal	248.50-250.15	249.00-250.00	50-17cpm	1.61	3-54dis	-0.46
Spain	183.75-184.80	184.00-184.30	10-1cpm	0.36	17-2pm	0.21
Italy	2129½-2137¼	2132¼-2133¼	6-5lirepm	3.09	15-13pm	2.63
Norway	11.87¼-11.92½	10.90¼-10.91¼	3⅞-3¼orepm	4.13	10⅞-10⅛pm	3.90
France	9.84¼-9.87	9.85½-9.86½	4⅛-3⅞cpm	4.87	12¼-11¼pm	4.84
Sweden	10.10¼-10.15¼	10.14-10.15	3-2⅞orepm	3.47	8⅞-8⅛pm	3.40
Japan	225½-226¼	225¼-226¼	1⅞-1⅝ypm	8.95	4⅞-4⅝pm	8.51
Austria	20.36-20.47	20.43-20.47	11⅞-11¼gropm	6.75	34⅝-32⅛pm	6.53
Switzerland	2.54½-2.55¾	2.54¾-2.55¾	1⅝-1½cpm	7.35	4⅞-4½pm	6.95
ECU	1.4160-1.4180	1.4170-1.4180	0.54-0.50cpm	4.40	1.59-1.54pm	4.42

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 61.10-61.20 Six-month forward dollar 4.82-4.77cpm 12 months 8.58-8.48pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov.1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5725-1.5836	1.5815-1.5825	0.87-0.85cpm	6.52	2.56-2.53pm	6.43
Ireland†	1.4370-1.4455	1.4445-1.4455	0.31-0.26cpm	2.37	1.24-1.14pm	3.30
Canada	1.1730-1.1760	1.1735-1.1745	0.34-0.39cdis	-3.72	0.96-1.07dis	-3.45
Netherlands	2.0720-2.0850	2.0735-2.0745	0.08-0.05cpm	0.38	0.15-0.11pm	0.25
Belgium	38.50-38.80	38.50-38.60	2.00-4.00cdis	-0.93	7.50-10.50dis	-0.93
Denmark	7.14½-7.18¼	7.14¾-7.15¼	2.05-2.40oredis	-3.73	5.30-5.90dis	-3.13
W. Germany	1.8355-1.8470	1.8375-1.8385	0.09-0.07cpm	0.52	0.16-0.13pm	0.31
Portugal	157.50-158.00	157.55-157.65	60-70cdis	-4.93	270-300dis	-7.21
Spain	116.30-117.20	116.30-116.40	58-68cdis	-6.47	182-192dis	-6.40
Italy	1346-1354¼	1348¼-1348¾	3.50-4.00liredis	-3.33	12.50-13.50dis	-3.85
Norway	6.89¼-6.92¼	6.89¼-6.89¾	1.30-1.65oredis	-2.56	4.40-4.80dis	-2.66
France	6.22¼-6.26¾	6.23-6.23½	0.80-0.85cdis	-1.58	2.55-2.70dis	-1.68
Sweden	6.40¼-6.43	6.41-6.41½	1.52-1.77oredis	-3.07	4.90-5.25dis	-3.16
Japan	142.95-143.60	143.05-143.15	0.32-0.29ypm	2.55	0.81-0.79pm	2.23
Austria	N/A	12.93¼-12.93¾	0.45-0.05cpm	0.23	1.00-0.40pm	0.22
Switzerland	1.6110-1.6220	1.6130-1.6140	0.13-0.10cpm	0.85	0.30-0.25pm	0.68
ECU	1.1090-1.1180	1.1170-1.1180	0.20-0.19cpm	2.09	0.59-0.56pm	2.06

Commercial rates taken towards the end of London trading.† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.60-38.70.

EURO-CURRENCY INTEREST RATES

Nov 1	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15-14⅞	15⅛-15	15¼-15⅛	15⅜-15¼	15⅜-15¼	14⅞-14¾
US Dollar	9-8½	8⅞-8⅞	8¾-8⅝	8⅝-8⅝	8⅝-8½	8⅞-8¼
Can. Dollar	12¼-12	12¼-12	12⅛-11⅞	12⅛-11⅞	12-11⅞	11⅞-11⅝
D. Guilder	8¼-8	8¼-8	8⅛-8⅛	8⅜-8⅛	8⅝-8⅜	8⅝-8⅛
Sw. Franc	7⅞-7⅝	7⅞-7⅝	7⅞-7⅝	8⅛-7⅞	8-7⅞	7⅞-7⅞
Deutschmark	8⅛-7⅞	8⅛-7⅞	8⅛-8	8⅜-8⅜	8⅜-8⅜	8⅝-8⅜
Fr. Franc	10⅛-10¼	10⅜-10⅛	10⅜-10⅜	10⅝-10¼	10⅝-10⅜	10¼-10
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D.Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8⅛-8¾ per cent; three years 8⅝-8¾ per cent; four years 8⅝-8¾ per cent; five years 8⅝-8¾ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE £/$ OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING OPTIONS

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); U.S. TREASURY BILLS (IMM); THREE-MONTH EURODOLLAR (IMM); SWISS FRANC (IMM); STANDARD & POORS 500 INDEX; PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; THREE MONTH ECU; FT-SE 100 INDEX

[illegible]

Estimated volume 3539 (4240)
Previous day's open int. 31512 (31237)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5820	1.5734	1.5566	1.5341	1.4967

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.5674	1.5686	1.5640	1.5686
Mar	1.5430	1.5440	1.5410	1.5442
Jun	1.5210	1.5210	1.5190	1.5222

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 38,287
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Rates mixed

INTEREST RATES showed mixed changes on the London money market yesterday, but the rate generally looked to for guidance on the direction of bank base rates - three-month sterling interbank - fell to 15¼-15⅛ per cent from 15⅜-15¼ per cent on Tuesday. This indicated a gradual easing of worries after Mr John Major, the Chancellor of the Exchequer, spoke on Tuesday in Parliament.

Mr Major underlined his determination to put the defeat of inflation at the top of the Government's priorities and said he favoured a "firm exchange rate" to help underpin his anti-inflation policy.

The Bank of England initially forecast a credit shortage of about £500m in the money markets, but revised this to £550m at noon and £600m in the afternoon. Total help of £548m was provided.

Before lunch, the authorities bought £446m bills, including £375m band 1 bank bills at 14⅞ per cent, and £71m band 2 Treasury bills at 14⅞ per cent. Late assistance of about £100m was provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £343m. Exchequer transactions took out £20m, a rise in the note circulation accounted for £110m, and bankers' balances below target £15m.

In New York, the Federal Reserve bought all bills for its own portfolio for delivery on today, and $500m for a customer. The Fed's move had been anticipated by analysts. The need for reserves was prompted earlier in the week by a gap between the dates of settling and maturing bills. That gap prevented the Fed from bidding at this week's bill auction, effectively causing a large drain on banking reserves as only the market had bid for the securities.

In Frankfurt, call money rates eased slightly on news of a new repurchase allocation and before Thursday's Bundesbank council meeting. Trading in the money market was quiet, with banks in several parts of West Germany closed for a religious holiday.

The new allocation totaled DM21bn and injects DM1bn into the money market. The allocation comprises DM11.1bn of one-month funds at 7.3 per cent and DM9.9bn of two-month funds at 7.75/8.20 per cent. Dealers said the allocation meant that call money could edge lower in the first half of this month.

UK clearing bank base lending rate 15 per cent from October 5

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

	%		%		%
ABN Bank	15	Clydesdale Bank	15	NatWestminster	15
Adam & Company	15	Comm.Bk.N.East	15	Northern Bank Ltd	15
Allied Trust Bank	15	Co-operative Bank	*15	Norwich Gen. Trust	15
Allied Irish Bank	15	Coutts & Co	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Cyprus Popular Bk	15	Provincial Bank PLC	16
Associates Cap Corp	14	Dunbar Bank PLC	15	R. Raphael & Sons	15
Authority Bank	15	Duncan Lawrie	15	Roxburghe G'rantee	15½
● B & C Merchant Bank	15	Equatorial Bank plc	15	Royal Bk of Scotland	15
Bank of Baroda	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	Financial & Gen. Bank	15	● Smith & Williamson Secs.	15
Bank Hapoalim	15	First National Bank Plc.	16	Standard Chartered	15
Bank Credit & Comm	15	● Robert Fleming & Co.	15	TSB	15
Bank of Cyprus	15	Robert Fraser & Ptnrs.	15½	United Bk of Kuwait	15
Bank of Ireland	15	Girobank	15	United Mizrahi Bank	15
Bank of India	15	● Guinness Mahon	15	Unity Trust Bank Plc	15
Bank of Scotland	15	HFC Bank plc	15	Western Trust	15
Banque Belge Ltd	15	● Hambros Bank	15	Westpac Bank Corp.	15
Barclays Bank	15	Hampshire Trust Plc	15½	Whiteaway Laidlaw	15
Benchmark Bank PLC	15	Heritable & Gen Inv Bnk.	15	Yorkshire Bank	15
Brit. Bk of Mid East	15	● Hill Samuel	§15		
● Brown Shipley	15	C. Hoare & Co.	15		
Business Mtge Bank PLC	15½	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
		Midland Bank	15		
		Mount Banking	15		
		Nat. Bk. of Kuwait	15		

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CLASSIFIED ADVERTISEMENT RATES

[illegible]

JOTTER PAD

CROSSWORD

No.7,079 Set by HIGHLANDER

ACROSS
1 Way prickly sensation can become sharp pain (6)
4 Followed in darkness (8)
9 Completely devout, they say (6)
10 Biscuits and bananas (8)
12 Musical composition? Speaker has written ten (8)
13 Take care of a serious offence inside gambling den (6)
15 Slough's storage area? (4)
16 One who strikes the bottom (5)
20 Ship's left fish on show (7)
21 Contains hard drug (4)
25 It's hard in class to be modest (6)
26 Don't go without band from bottle cap (3,3)
28 Not in – went out with old hat (8)
29 Is round circling a considerable distance from expedition (6)
30 Underground experiment at the front with scientific glassware (4,4)
31 Old sailor has aged so at sea (3,3)
6 Half of side stopped dead (8)
7 Beetle and bridge partners settle up (6)
8 Autocratic ruler of French corporation (6)
11 Argue about stupid arrangement with key (7)
14 Ornate below in early stage of growth (7)
17 Make shorter agreement (8)
18 Mixed set: a drawback of this particular course (8)
19 The purchase of goods on Sunday is leaping up (8)
22 Current price for buttonhole (6)
23 Male insect is producing another one (6)
24 People need time to become members of a household (6)
27 Aromatic plant from another botanical genus (4)

DOWN
1 Wood-cutting frame was lifted on to mount (8)
2 Heathen one goes on to act afterwards (8)
3 Animal consuming everything green (6)
5 Got wind of sound made by this animal group (4)

Solution to Puzzle No.7,078

WORLD STOCK MARKETS

CANADA

TORONTO

2pm prices November 1

INDICES

NEW YORK

DOW JONES	Oct 31	Oct 30	Oct 27	Oct 26	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2645.08	2603.48	2596.72	2613.73	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.15	93.11	93.15	93.13	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1205.01	1191.86	1190.43	1205.19	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.19	216.74	215.86	215.67	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2662.09 (2627.85) Low 2606.97 (2588.11)

STANDARD AND POOR'S

	Oct 31	Oct 30	Oct 27	Oct 26	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	340.36	335.07	335.06	337.93	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	388.54	382.10	379.89	385.19	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	32.55	32.07	32.17	32.80	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	188.24	185.59	185.60	187.22	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	370.58	368.87	370.01	373.48	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	455.63	451.37	452.76	458.15	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Oct 27	Oct 20	Oct 13	year ago (approx.)
Dow Industrial Div. Yield	3.97	3.83	4.01	3.60
	Oct 25	**Oct 18**	**Oct 11**	**year ago (approx.)**
S & P Industrial div. yield	2.95	2.95	2.82	3.19
S & P Indl. P/E ratio	14.31	14.28	14.91	13.03

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Gt Nthn Nekoosa	5,721,100	62⅞	+20¼
Chase Manhattan	4,824,800	36½	+ ½
Chevron (xd)	3,536,900	68¾	+ 1¼
Philip Morris	2,780,900	43	+ ⅜
Unisys Corp	2,560,900	14½	− ⅛
Pac Gas & Elec	2,109,000	20	+ ⅛
IBM	1,759,000	100¼	+ ⅛
Am T & T	1,700,400	44⅛	+ ⅜
Bristol Myers	1,565,800	52⅜	+ 1⅛
Southern Co(xd)	1,386,600	27⅛	+ ½

TRADING ACTIVITY

† Volume Millions	Oct 31	Oct 30	Oct 27
New York	176.902	127.073	171.926
Amex	11.680	9.998	13.429
NASDAQ	128.017	101.071	132.787
Issues Traded	1,962	1,924	1,929
Rises	1,120	665	410
Falls	435	772	1,102
Unchanged	407	487	417
New Highs	28	9	20
New Lows	43	72	102

CANADA

TORONTO	Oct 31	Oct 30	Oct 27	Oct 26	1989 HIGH	1989 LOW
Metals & Minerals	3461.90	3408.80	3390.2	3411.83	3919.2 (1/9)	3207.5 (3/1)
Composite	3918.62	3887.20	3884.3	3886.36	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	2006.18	1983.54	1978.81	1988.61	2069.68 (10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 1	Oct. 31	Oct. 30	Oct. 27	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1648.7	1646.2	1637.0	1621.1	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	792.3	795.8	789.1	770.3	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	(c)	428.18	430.77	446.20	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	(c)	6230.86	6205.97	6295.42	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	343.30	342.10	339.77	338.93	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	663.0	666.1	666.5	664.2	815.8 (18/4)	660.8 (25/10)
FRANCE						
CAC General (31/12/82)	(c)	512.1	502.8	513.5	561.6 (11/10)	417.9 (4/1)
Ind. Tendance (30/12/88)	(c)	117.3	115.5	114.8	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	621.22	617.61	615.09	619.15	690.91 (10/10)	535.78 (27/2)
Commerzbank (1/12/53)	1841.2	1830.7	1824.3	1838.2	2056.8 (10/10)	1595.7 (27/2)
DAX (30/12/87)	1476.19	1472.76	1466.29	1462.93	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2721.68	2725.29	2680.30	2667.99	3309.64 (15/5)	2095.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1674.90	1677.31	(c)	1681.18	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	(c)	(u)	639.97	643.68	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	35564.43	35549.44	35417.44	35527.29	35689.98 (28/9)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2691.19	2692.65	2676.60	2681.76	2703.58 (2/10)	2366.91 (6/1)
2nd Section (4/1/68)	3648.82	3642.90	3636.06	3657.50	3804.11 (9/10)	2774.38 (27/3)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	252.7	251.1	250.4	247.5	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	194.3	193.0	192.5	190.3	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	622.42	610.65	610.51	618.48	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	(c)	1309.37	1277.25	1264.03	1309.37 (31/10)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1335.24	1332.41	1302.78	1319.27	1431.85 (12/10)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1769.0♦	1766.0	1760.0	1661.0	1769.0 (1/11)	1291.0 (15/2)
JSE Industrial (28/9/78)	2578.0♦	2569.0	2557.0	2557.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	891.27	894.02	896.11	893.59	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	(c)	307.25	304.89	304.81	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4174.4	4125.4	4178.6	4224.3	4660.3 (16/8)	3393.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	745.4	749.5	750.8	751.9	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	10630.65	(c)	10602.07	10576.49	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	702.95	695.01	685.54	684.96	724.93 (13/9)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	530.2	526.1	525.7	551.2 (3/8)	487.6 (13/6)

**Saturday Oct.28: Taiwan Weighted Price: 10437.78. Korea Comp Ex. 894.40.
♦ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed, (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday November 1 1989

	Stocks Traded	Closing Prices	Change on day
Yasuda F&M	65.0m	1,880	+80
IHI	51.8m	1,340	+80
Kawasaki Kisen	28.0m	1,040	+20
Hankyu	24.2m	1,540	+100
Tokyu	24.1m	2,650	-30
Cosmo Oil	24.0m	1,220	+50
Sumitomo Mtl M.	18.7m	1,610	+80
Fuji Electric	17.9m	1,180	+40
Komatsu	16.2m	1,380	0
Toyo Rubber	13.1m	1,330	-50

3pm prices November 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	21¾	AAR	.48	1.3	29	243	u37½	36¾	36¾	– ½
9⅝	8½	ACM e	1.01	11.		177	9½	9⅜	9⅜	+ ⅛
11⅝	10⅝	ACMIn	1.26a	11.		246	11½	11⅜	11½	+ ⅛
10⅛	8	ACM M	n1.01	11.		926	9⅛	8¾	9	+ ⅛
11½	10	ACM Sc	1.28	11.		1127	11⅛	11	11⅛	
9⅝	8¾	ACMSp	1.01	11.		285	9¼	9	9	
18	11½	AL Lab	.12	.7	17	35	16½	16	16¼	+ ¼
4⅛	3⅛	AMCA	.12e	3.3	24	90	3⅝	3½	3⅝	+ ⅛
6⅛	4½	AM Intl			10	491	5	4⅞	4⅞	
23½	20⅝	AM In pf	2	9.5		17	21⅛	21⅛	21⅛	
107¼	46½	AMR			9	7092	73¾	71¼	72½	+1⅛
6⅝	3⅝	APX				22	3⅞	3¾	3¾	– ⅛
49⅝	37¼	ASA	3a	6.1		1358	u50¼	48⅞	49	+ ⅞
30¼	15¾	AVX	.24	.9	27	629	28	27⅜	27¾	– ¼
66½	44½	AbtLab	1.40	2.1	16	1646	65⅞	65	65⅝	+ ⅜
18¼	12⅞	Abitibi g	1			20	13	13	13	
13	7½	AcmeC	.40	4.0		23	10⅛	9⅞	10⅛	+ ⅛
9⅝	6⅞	AcmeE	.32	3.7	12	173	8⅝	8½	8⅝	+ ⅛
38½	20¼	Acuson			25	49	35⅝	35½	35½	– ¼
17	14¼	AdaEx	1.62e	11.		212	16⅝	16¼	16⅝	+ ⅜
12⅝	6½	Adobe				65	10⅛	10⅛	10⅛	
21⅝	19⅞	Adob pf	2.40	12.		18	20½	20½	20½	+ ⅛
10½	7⅛	AMD				1464	7⅝	7½	7⅝	– ¼
35	28¾	AMD pf	3	10.		10	29	29	29	– ¼
[illegible]										

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
101½	74¼	RalsPur	1.65	2.1	12	1678	81⅝	79⅞	79⅞	−1⅝
15½	8⅛	Ramad				2218	9⅝	9½	9⅝	−⅛
6⅝	4⅞	RangrO			46	20	6⅞	6¾	6¾	−⅛
39⅛	30¼	Raycm	.32	1.0	32	352	33¼	32½	32⅞	+⅝
19⅞	9⅝	RJamF	.20	1.2	7	166	16½	16¼	16½	+⅜
20⅞	18	Rayonr	2.60	13.	6	45	19½	19¼	19⅜	
3⅞	½	vjRaytc				20	1⅜	1⅜	1⅜	
85	65⅞	Raythn	2.20	2.7	10	1176	82	80½	81⅞	+1⅝
2⅞	15-16	RdgB n				66	1⅛	1⅛	1⅛	
17	15¼	REIT	1.38	8.8	11	125	15⅝	15⅝	15⅝	
18⅞	13½	RItRef	1.72	11.	9	11	15¼	15¼	15¼	+¼
12⅞	5½	RecnEq				16	6⅝	6½	6½	−⅛
18½	9½	Reebok	.30	1.7	14	2026	17⅝	17⅜	17⅝	
5-16	7-64	Regal				51	5-32	5-32	5-32	
9⅛	5⅞	RegiFn	.25e	2.8		60	8⅞	8⅞	8⅞	
15⅞	12½	ReichTg	1.76	12.	9	38	14⅞	14½	14⅞	+⅛
8⅞	4¼	RelGrp	.32	5.2	22	109	6¼	6	6¼	+⅛
24⅞	16⅛	Repsol n				394	21⅛	21	21	
5⅞	4⅞	RepGyp	.20	4.0	24	25	5⅛	5	5	−⅛
51⅞	41	RepNY	1.25	2.7		575	46⅞	46½	46⅞	+⅜
18⅞	4⅞	Rxene	1a	20.	3	267	5⅛	4⅞	5	
33⅞	19½	RayRey	.76	3.1	8	168	25	24⅞	24⅞	
62⅞	48⅞	RayMt	1.80	3.6	6	1574	51⅞	50¼	51	−¼
41⅛	29⅛	RiteAid	.82	2.1	16	167	38⅞	38	38½	+½
9-16	⅛	RvrOak				2	⅛	⅛	⅛	
12⅞	8⅝	Robtsn				9	11⅛	11	11	−⅛
35	21⅞	vjRobins			18	1144	33½	33	33½	+¼
21⅞	16⅞	RochG	1.50	7.4	12	146	20½	20⅛	20⅜	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

– X–Y–Z –

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
9⅞	4½	Wyse				1102	8	7⅞	8	+⅛
69	53⅞	Xerox	3	5.1	16	1887	58⅞	58⅛	58⅜	−½
49⅛	44½	Xerox pf	4.13	8.8		7	47⅛	47	47	−1
44⅛	24	XTRA	.72	2.8	8	15	24⅞	24½	24⅞	+⅛
4⅛	2	Zapata				535	2⅛	2⅛	2⅛	−⅛
21½	11½	ZenithE				968	12⅛	12⅛	12⅜	
2½	⅜	vjZenLb				3485	½	⅜	⅜	−1-16
21½	15	ZenNtl	.84	4.5	8	32	18⅞	18½	18⅝	
10⅛	6⅞	Zenix	1.26	17.		199	7⅞	7½	7⅜	+⅛
18⅛	12⅛	Zero s	.40	2.6	14	133	15⅝	15⅛	15⅜	−¼
44¼	25⅛	Zurnln	.76	2.0	18	395	38¼	37⅞	38	+⅞
12⅞	10	Zweig	1.12e	9.5		282	11⅛	11⅝	11⅞	
10⅛	8⅛	ZweigTl	.86	9.8		1175	9⅛	9⅝	9⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices November 1

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NASDAQ NATIONAL MARKET

3pm prices November 1

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WilmTr	1.24	12 10	40¼	39¾	40¼	+½
WiscTy		21 1	13⅞	13⅞	13⅞	+⅞
WiserO	.40	48 14	18⅞	18⅝	18⅞	
Wolohn	.28b	9 38	18⅞	18½	18⅞	+⅛
WrlvEx h		25	7⅞	7⅛	7⅛	−⅛
Wortbg	.56	17 357	24½	24	24⅛	
Wyman	.80	849	15	14½	14½	−½
–X–Y–Z–						
XL Dta s		13 4126	17½	16½	16⅞	−½
XOMA		1173	22	21¼	21½	+½
Xicor		8 1027	4½	4⅛	4⅛	−⅛
YanEnS	.38a	228	20⅛	20	20⅛	+⅛
YelowF	.76	11 341	25⅝	25⅛	25⅜	−⅛
YorkRs		480	6½	5⅞	6¼	+⅜
ZionUt	1.44	8 31		30¼	30¼	−⅜

FINANCIAL TIMES Thursday November 2 1989

AMERICA

Early boost from economic survey slips away later

Wall Street

AFTER TUESDAY'S takeover-related buying spree, the equity market yesterday morning traded in a narrow range, slipping to modest losses by midsession, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was quoted 9.22 points lower at 2,635.86 on moderate volume of 107m shares.

The American Stock Exchange Index and the Nasdaq Composite were both a little higher at midsession.

The market received an early boost from the publication of the October US purchasing managers' survey of economic activity, which showed that the economy continued to decelerate but less quickly than in previous months.

This was basically good news for the equity market, because it suggested that the economy was landing softly, but stock analysts continued to believe that the market needed to see another Federal Reserve easing before it could build on its recovery since its 190-point drop on October 13.

The Fed's Tan Book of regional economic reports was also published. It reported slow to moderate growth in most areas and insignificant upward pressure on prices.

Neither of these economic reports appeared to provide further justification for a Fed easing. Financial markets, therefore, will be looking closely at tomorrow's October employment figures.

Yesterday's evidence of continued growth at a moderate pace was welcome in view of the sluggish corporate earnings growth seen in the third quarter. Disappointing profitability heightened stock investors' concerns about the potential impact on companies of a sharp deceleration in economic activity.

While Tuesday's session was enlivened by news of the $3.18bn bid by Georgia-Pacific for Great Northern Nekoosa, the announcement of an offer by NL Industries for the shares of Georgia Gulf it does not already own failed to spark excitement in the broad market.

Mr Newton Zinder, technical strategist at Shearson Lehman Hutton, noted that the offer by Georgia-Pacific had hit a stock market that was technically ripe for a rally. He said that Tuesday's rally had taken the equity market to just below a resistance area of between 2,650 and 2,660.

Georgia-Pacific slid another $⅜ to $50⅞, while Great Northern Nekoosa dipped $⅜ to $61⅞, giving up a little of its $20 gain on Tuesday.

NL Industries, controlled by Dallas investor Mr Harold Simmons, said that it was offering $50 a share in cash. Along with its affiliates, NL already owns a 9.9 per cent stake in the company. Georgia Gulf added $1⅞ to $50⅝ while NL slipped $¼ to $22⅞.

Among other featured stocks, Campbell Soup rose $3⅝ to $47⅞ in the wake of the resignation of Mr George McGovern as president and chief executive.

Sea Containers added $⅞ to $62⅝ after the company announced its long-awaited restructuring plans. These included the sale of $1.1bn in assets and using some of the sale proceeds to buy back about 50 per cent of its common stock for $70 a share.

Allergan gained $⅛ to $19⅞ after the Food and Drug Administration said that the company could begin marketing an intra-ocular lens designed for cataract patients.

On the over-the-counter market, Northeast Bancorp jumped $8⅞ to $70. Northeast has agreed to be acquired by Bank of New York, and yesterday's rally came after Bank of New England dropped its opposition to full inter-state banking in the New England area.

Also in over-the-counter trading, Diceon Electronics fell $⅛ to $5⅞ on news that two senior officers of the company and a former employee had been charged with violating California health and safety regulations.

Canada

NEWS that US September factory orders and construction spending were unchanged helped Toronto share prices make slight gains by midsession in thin volume.

The composite index rose 3.7 to 3,922.4 on volume of 11.5m shares.

Cominco Ltd lost C$⅛ to C$26⅝ after its purchase on Tuesday of 50 per cent of the Glenbrook nickel smelter in Oregon.

Mauled entrepreneurs personify Australia's woes

The outlook for the economy, however, is proving a more significant worry, writes **Chris Sherwell**

OCTOBER and November are Sydney's finest months. From an azure sky, the spring sun warms the surf. Sails crowd the harbour, bodies cram the beaches. Summer holidays beckon.

Unfortunately for investors this year, the improving climate is not reflected in the share market. Wall Street has done a nose-dive. The domestic economy is in belly-flop mode. And local business heroes are in deep water.

Predictably, New York's spectacular plunge on Friday the 13th dragged Australia in its wake, although the slide ended less awkwardly than feared. The market lost about three-quarters of the gains it had made over the three months to September.

The widely-watched All Ordinaries index is now floating in a 1,600 to 1,670 band – better than the 1,450 to 1,580 range it meandered through for 10 months to July, but well below the 1,780 level it touched before the October correction, and far short of its 2,305 record of September 1987.

Domestic economic currents are hampering the market even more firmly. The balance of payments is heading for a record deficit on the current account of A$20bn (US$15.6bn). Top-flight businesses are paying more than 20 per cent for loans, and the inflation rate has risen back to 8 per cent.

Last month, Standard & Poor's downgraded Australia's credit rating, and there was an official warning that the foreign debt would not stabilise before 1994. The forthcoming general election, expected within six months, provides a further element of uncertainty.

Add to this the battering of Australian entrepreneurs – most recently Mr Alan Bond and Mr Christopher Skase – and the tide of negative sentiment is no surprise. The market understands these businessmen's difficulties better nowadays, but their plight remains richly symbolic.

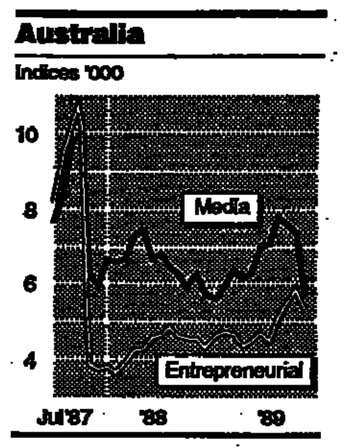
Mr Bond, Australia's best-known businessman, last month produced unaudited accounts for his Bond Corporation which revealed the largest loss in the country's history – almost A$1bn, not counting significant items being qualified by his accountants.

The figure included losses by the subsidiaries Bell Group (A$272m) and Bell Resources (A$383m), which would have ranked high on the league table in their own right. The informal liquidation of Mr Bond's empire continues. Last month he sold his US-listed gold business. He hopes next to realise a high value for his Australian brewing assets.

Mr Skase's decline has been even more dramatic. One moment last month he was poised to become a Hollywood film mogul through his US$1.5bn purchase of MGM/United Artists Communications. The next, the deal was off and his US arm was filing for bankruptcy protection because it could not meet a US$6m payment.

Mr Skase is now fighting to stave off receivership for his Qintex media and resorts group. He is selling his Mirage resorts and three television stations. To a stunned market, he has also revealed that Qintex has paid a company run by himself and his executives A$42m since August 1988.

Mr Bond and Mr Skase are not the only antipodean entrepreneurs to have been beached since 1987. Other names include Mr Robert Holmes à Court (Bell), although he is making his own private way again, Mr Bruce Judge (Ariadne), Mr Allan Hawkins (Equiticorp), Mr George Herscu (Hooker), Mr Colin Reynolds (Chase), Mr Laurie Connell (Rothwells) and Mr Kevin Parry (Parry Corporation).



The list goes on, but there is another side. Mr John Spalvins' Adelaide Steamship has notched up considerable success. So has the AFP group under Mr Basil Sellars, Mr Peter Scanlon and Mr John Gerahty – and so have Sir Ron Brierley's Industrial Equity Ltd (IEL) and Mr Russell Goward's Westmex.

A measure of these mixed developments is provided by the stock exchange's "entrepreneurs' index," which not only includes Adsteam, AFP, IEL and Westmex, but also Bond Corporation, the two Bell companies and Ariadne. In September 1987, the index stood at 10,089. Yesterday, it was 5,262.

Another index to embrace entrepreneurial companies covers the media. Apart from Mr Skase's Qintex and Mr Bond's Bond Media, it includes Mr Rupert Murdoch's News Corporation and Northern Star, until recently controlled by Mr Frank Lowy. In September 1987, the media index was 9,996. Yesterday, it was 5,688.

Gold companies are also showing a dramatic decline, in line with the long-term trend in the bullion price. Yesterday the gold index, which includes the small gold explorers and miners as well as the leaders, was at 1,593, down from 3,946 in September 1987. Similarly, the insurance index – which includes FAI Insurances, known for entrepreneurial flair under the late Mr Larry Adler – has plummeted from 10,907 in September 1987 to 4,814.

But such trends, and the role of the entrepreneurs within them, must be kept in perspective. These indices together account for 14 per cent of the All Ordinaries. By contrast, the diversified industrials index counts for 14.1 per cent and the banks index for 10.6 per cent. Both currently stand above their September 1987 level.

The real unknowns concern the outlook. Conventional thinking says a worldwide recession is unlikely, commodity prices will hold and interest rates have peaked. So while the outlook for profits growth may be discouraging, a boost for the market will come with the inevitable downturn in interest rates and a consequently weakening domestic currency, which stimulates foreign interest.

For now, however, Australia is undoubtedly underperforming other markets, and the optimism which became fleetingly apparent in July has given way to caution, even outright nervousness, and a sideways drift. In the words of one international broker, the market is just "trickling East."

ASIA PACIFIC

Investors focus on the short term as yen weakens

Tokyo

SHORT-TERM business dominated the market amid nervousness over the weak yen, leaving share prices with only a marginal gain, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average rose moderately in early trading, on encouragement from Wall Street, but index selling towards midday left it with a modest advance of 14.99 to 35,564.43. The day's high was 35,640.37 and the low 35,453.21. Advances and declines were almost even, at 451 against 454, and 208 issues were unchanged.

Turnover moved up slightly to 970m shares from the 909m traded on Tuesday. The Topix index of all listed shares was 1.46 points down to 2,691.19, but in London, the ISE/Nikkei 50 index rose 5.21 to 2,071.23.

Confidence sagged as the yen retreated against the dollar, and investors chose to concentrate on the short-term. "You can't expect much from the market ahead of the long weekend, and the release of US unemployment figures," said one broker.

Activity shifted quickly from shares which had already risen substantially on news or other specific attractions, to those with room for improvement.

Mitsubishi Estate, which said on Tuesday that it would acquire a 51 per cent stake in the Rockefeller Group and its 14 buildings in New York City, was a case in point. After being aggressively bought and rising a solid Y150 on Tuesday, the day of the announcement, yesterday it was just as suddenly dropped and closed down Y70 at Y2,610 on mediocre volume.

Tokyu group companies met a similar fate, with Tokyu Corp another Y30 lower at Y2,850. Investors lost their taste for Tokyu after its share price performance began to look similar to that of Sony – which climbed on a sudden burst of interest and then ran into a brick wall, just before its high. One broker pointed out that since its downfall, Sony has been up on only two trading days in the past 16.

The prospect of a US-Soviet summit meeting channelled buying into companies with Soviet ties, such as Komatsu, the construction machinery maker. Interest was short-lived, however, and Komatsu closed unchanged at Y1,380, after rising Y40 to an intraday high of Y1,420.

Yasuda Fire and Marine, popular on speculation about restructuring in the insurance industry, topped the volumes list with 68m shares and advanced Y80 to Y1,880. Rumours that a well-known speculator has switched from the Tokyu group to Yasuda added more spice to the issue.

Strong business prospects saw buoyant trading in Ishikawajima-Harima Industries, the shipbuilder, which gained Y80 to Y1,340.

Osaka put in a much stronger performance as interest in issues with property assets triggered buoyant trading. The OSE average closed up 180.26 at 36,534.16. Volume increased to 75m shares from the 71m traded on Tuesday. Hankyu, the railway company selected for its land development projects, gained Y100 to Y1,540.

Roundup

OPPOSING influences, external or internal, seemed important to markets on the Pacific Rim yesterday, with the result that none of them got very far in the end.

AUSTRALIA balanced a sharp fall in golds with a good performance in industrials, and the All Ordinaries index edged up 2.5 to 1,648.7. Turnover slipped to 93m shares and A$142m, from 104m and A$152m.

A sharp fall in the gold price, late on Tuesday, ended the surge in gold issues which had carried the rest of the market forward in the previous two sessions. The gold shares index fell 27.4, or 1.7 per cent, to 1,593.1, after a 7.5 per cent rise earlier in the week.

In industrials, TNT, the transportation group, which reported a 70 per cent first-quarter profit slump on Tuesday, jumped another 8 cents to A$3.08 after a 10-cent gain the day before. TNT maintained its quarterly dividend, blamed its setback on the domestic pilots' dispute and topped national turnover yesterday with 3.4m shares traded.

NEW ZEALAND did its own balancing act, with the relative modesty of Japanese and Australian market performance cooling it down, after a sharp morning rise on Wall Street. The Barclays index ended 20.74 higher at 2,135.22, having lost around a third of the morning session's 30-point gain.

SINGAPORE added marginally to Tuesday's sharp gains, but turnover remained limited by uncertainty about the split by Malaysia and the outlook on Wall Street.

The Straits Times industrial index gained 2.83 to 1,335.24 after a 2 per cent rise the previous day. Volume was 63m shares, slightly higher than Tuesday's 61m.

Blue chips again led gains, with Singapore Airlines foreign up 50 cents at S$18.70.

HONG KONG saw profit-taking, and early gains were erased as the Hang Seng index closed 3.61 lower at 2,721.68. Turnover remained relatively light at HK$860m, down from HK$895m previously.

SOUTH AFRICA

GOLD SHARES picked up from their day's lows in Johannesburg yesterday, as the bullion price rose slightly and the financial rand weakened. Randfontein added R2.50 to R212.50 and Kloof rose 25 cents to R41.75, while Vaal Reefs lost R2 to R369.

EUROPE

All Saints holiday puts brake on volume

LACK of volume was the common thread in Continental markets which stayed open yesterday. Paris, Milan, Madrid, Brussels and Vienna were all closed for the All Saints holiday, *writes Our Markets Staff.*

FRANKFURT mixed a partial holiday with a painfully thin market, and the debatable stimulus from a 1991 end to bourse turnover tax. The result was a 3.43 rise in the DAX index to 1,476.19, after a 3.61 rise to 621.22 in the FAZ at midsession.

Turnover plumbed the depths at DM1.5bn. Monday's DM2.6bn (ahead of DM2.7bn on Tuesday) had been the lowest for five months. Deutsche Bank topped the actives list in turnover of DM227bn, and rose DM6.80 to DM662.80 on the theory that the end to turnover tax, improving West Germany's prospects as a capital market, would at least do the banking sector a bit of good.

Ironically, it was Deutsche Bank managing board member Mr Rolf Breuer who said that the tax repeal had helped German shares – "but only for half an hour." Elsewhere, Metallgesellschaft rose DM19 to DM443 before its acquisition of the specialised engineer, Lentjes.

Lentjes had originally been expected to come to the stock market before the end of the year, but these plans were apparently upset by the recent weakness of share prices.

AMSTERDAM suffered from a lack of institutional interest, in the absence of trading in most other European markets, and closed higher in very light turnover of Fl 474m.

The main feature was chemicals company DSM, which gained Fl 3 to Fl 117.80 after reporting a better-than-expected third-quarter profit of Fl 235m, up from Fl 144m in the same period last year.

Other chemicals were encouraged by the news, with Akzo, which announces results today, up Fl 2.20 at Fl 133.

Fokker, the aircraft maker, lost 40 cents to Fl 39.60 after ABN, the bank, said on Tuesday that the company's convertible issue had not been successful.

ZURICH tried to rise, but profit-taking in a thin market took the Crédit Suisse index 3.7 lower to 599.9. Most of the country's big banks have increased their medium-term cash bond rates in the past few days; and the Swiss National Bank's Lombard rate was set at 8⅝ per cent yesterday, up ⅜ of a percentage point.

STOCKHOLM was encouraged by Wall Street's overnight surge, finishing sharply higher, although trading was thin. The Affärsvärlden General index rose 13.4, or 1.1 per cent, to 1,217.4. Turnover shrank to SKr213m from SKr319m.

Ericsson, the telecommunications group, gained SKr10 to SKr820 in the day's most active trading after news of a SKr300m order from Brazil.

HELSINKI eased in low turnover, as Wärtsilä Marine, which saw bankruptcy proceedings opened and adjourned on Tuesday, continued to consume attention. The Unitas all-share index fell 3.1 to 663.0.

Wärtsilä Corporation stocks were not quoted before the government announcement that agreement had been reached to form a new company. Valmet and Union Bank of Finland, which are both involved in financing packages for the shipbuilder, were temporarily suspended, before UBF free C shares closed unchanged at FM27 and Valmet restricted As gained FM0.5 to FM58.5.

OSLO reaped the benefit of a rise in Norway's North Sea oil prices, with the all-share index up 8.68 at 482.28 in moderate trading worth NKr313.5m.

COPENHAGEN was mixed to slightly higher in light trading, with banks leading gains.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

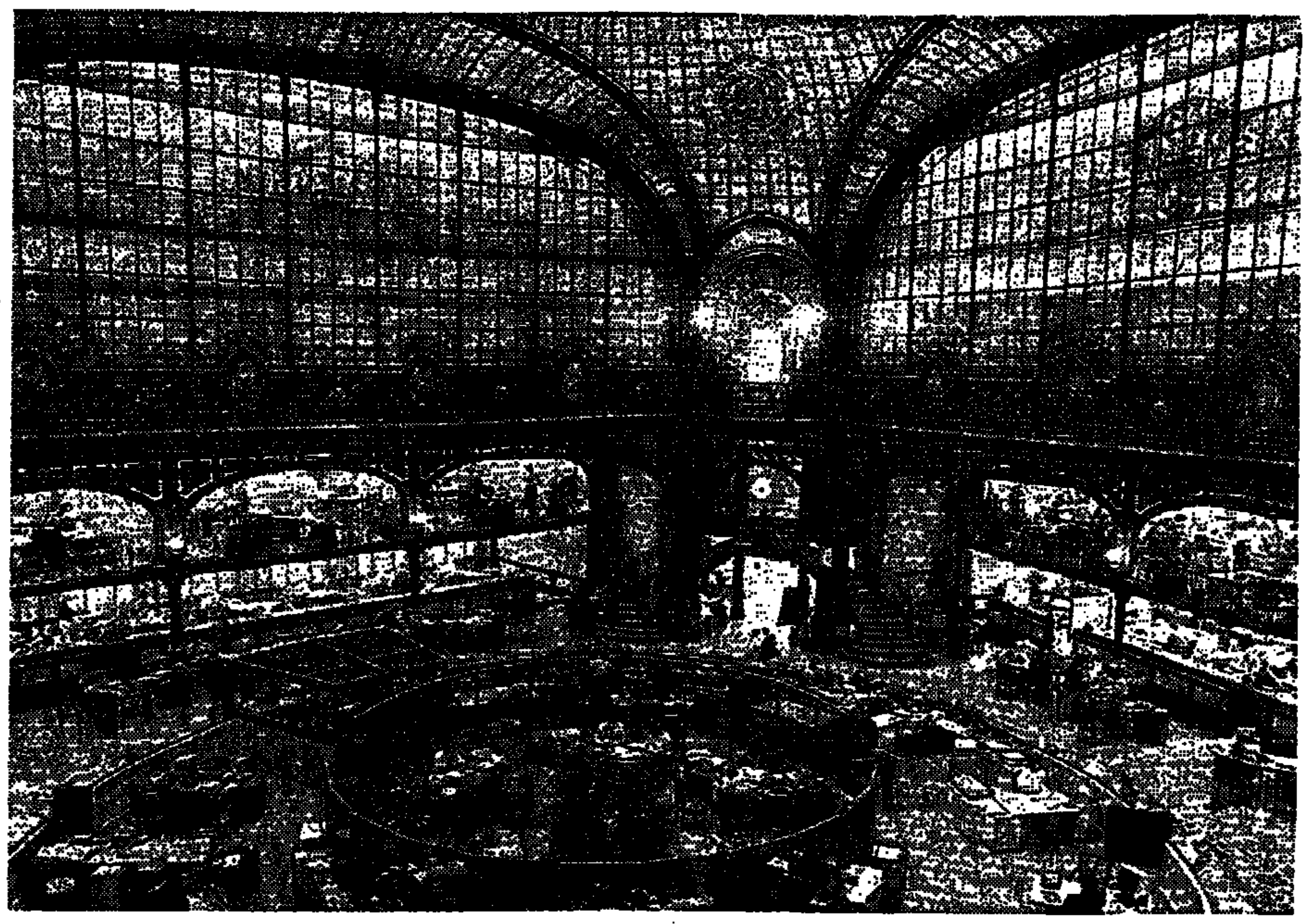
NATIONAL AND REGIONAL MARKETS	TUESDAY OCTOBER 31 1989						MONDAY OCTOBER 30 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	148.97	+0.7	139.96	126.67	+0.8	5.22	147.99	139.00	125.72	160.41	128.28	148.49
Austria (19)	149.42	+0.3	140.38	142.88	+0.5	1.70	148.93	139.88	142.17	172.22	92.84	94.99
Belgium (63)	137.46	+0.2	129.14	131.02	+0.2	4.22	137.13	128.80	130.70	144.49	125.58	129.46
Canada (122)	148.83	+0.8	139.83	126.52	+0.8	3.34	147.57	138.61	125.51	154.17	124.67	121.88
Denmark (36)	211.78	+0.9	198.98	205.59	+0.7	1.54	209.95	197.19	204.16	219.89	165.35	148.25
Finland (26)	124.27	+0.1	116.75	110.79	+0.1	2.55	124.16	116.61	110.64	159.16	123.12	128.70
France (126)	132.38	+0.7	124.38	129.74	+0.9	2.90	131.43	123.45	128.55	139.94	112.57	108.18
West Germany (97)	95.13	+0.1	89.37	91.05	+0.4	2.26	95.02	89.24	90.72	103.84	79.56	86.21
Hong Kong (48)	115.07	+1.7	108.11	115.38	+1.7	4.90	113.20	106.32	113.48	140.33	86.41	106.97
Ireland (17)	157.05	−0.9	147.55	153.35	−0.7	2.89	158.42	148.79	154.42	166.69	126.00	133.55
Italy (97)	87.21	+0.7	81.93	88.05	+1.1	2.60	86.59	81.33	87.08	96.73	74.97	83.63
Japan (455)	187.43	+0.2	176.10	169.07	+0.6	0.49	187.02	175.65	167.98	200.11	164.22	174.00
Malaysia (36)	192.67	+0.8	181.02	200.05	+0.9	2.65	191.08	179.47	198.21	209.22	143.36	136.93
Mexico (13)	301.85	+0.2	283.60	865.00	−0.1	0.60	301.39	283.07	865.65	326.61	153.32	158.52
Netherland (43)	125.58	+0.0	117.99	119.13	+0.3	4.45	125.52	117.89	118.79	131.72	110.63	110.19
New Zealand (19)	76.39	+1.3	71.77	68.90	+1.2	5.12	75.41	70.83	68.12	88.18	62.64	73.22
Norway (24)	167.13	+0.2	157.02	156.18	+0.2	1.66	166.85	156.71	155.81	198.39	139.92	120.00
Singapore (26)	155.90	+2.0	146.47	140.53	+2.1	2.11	152.82	143.54	137.68	170.62	124.57	120.97
South Africa (60)	156.03	+1.2	146.60	135.88	+1.2	4.12	154.17	144.80	134.26	160.24	115.35	112.77
Spain (43)	159.32	+0.8	149.68	140.91	+0.7	3.71	158.03	148.43	139.95	169.75	143.14	149.98
Sweden (35)	171.01	−1.6	160.67	162.28	−1.4	2.11	173.74	163.18	164.54	188.94	138.45	130.82
Switzerland (64)	86.65	−0.2	81.41	86.73	+0.3	2.18	86.79	81.52	86.47	94.16	67.81	84.75
United Kingdom (306)	138.54	+1.4	130.16	130.16	+1.4	4.67	136.66	128.35	128.35	158.41	133.28	137.62
USA (546)	138.19	+1.5	129.83	138.19	+1.5	3.34	136.12	127.85	136.12	146.29	112.13	113.82
Europe (986)	122.52	+0.7	115.11	116.43	+0.9	3.60	121.62	114.23	115.41	132.95	112.63	114.06
Nordic (121)	165.14	−0.4	155.15	151.70	−0.3	1.88	165.76	155.69	152.22	178.38	137.95	125.58
Pacific Basin (669)	183.12	+0.3	172.05	165.25	+0.7	0.72	182.63	171.53	164.14	194.72	160.44	170.25
Euro–Pacific (1665)	158.94	+0.4	149.33	145.73	+0.7	1.62	158.28	148.67	144.66	166.98	141.56	147.80
North America (668)	138.73	+1.5	130.34	137.47	+1.5	3.34	136.71	128.40	135.47	146.66	112.79	114.23
Europe Ex. UK (690)	111.74	+0.3	104.98	107.91	+0.5	2.87	111.40	104.63	107.35	118.51	96.30	99.27
Pacific Ex. Japan (214)	131.38	+1.1	123.43	117.73	+1.1	4.81	129.97	122.07	116.40	140.05	111.93	125.16
World Ex. US (1860)	158.65	+0.4	149.06	145.23	+0.7	1.70	157.96	148.36	144.15	166.35	141.49	146.55
World Ex. UK (2100)	151.48	+0.7	142.32	144.06	+1.0	2.01	150.36	141.24	142.70	156.04	136.98	133.55
World Ex. So. Af. (2346)	150.26	+0.8	141.18	142.80	+1.0	2.22	149.10	140.04	141.40	155.92	136.67	134.02
World Ex. Japan (1951)	132.65	+1.2	124.63	129.24	+1.2	3.50	131.09	123.12	127.65	140.43	114.51	114.67
The World Index (2406)	150.30	+0.8	141.21	142.75	+1.0	2.23	149.13	140.07	141.35	155.89	136.68	133.89

Latest prices were unavailable for this edition.

SECTION III

FINANCIAL TIMES SURVEY

French financial markets have had to face a process of radical change and integration into a global framework. In addition, the advent of the single market in 1992 is forcing financial institutions to adopt a more international outlook. **George Graham** reports.



Ashley Ashwood

Société Générale banking hall: the idea of the single market is forcing banks to cast their strategy in a larger European mould

French Banking
Finance and Investment

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Exchange rates at October 23, 1989: £ = FFr10.0475, L2,173.25, Ecu1.43819

Editorial production: Roy Terry

Buffeted by the winds of change

THE SUDDEN plunge that swept the world's stock exchanges last month sounded a note of warning to France's financial markets. Every mesmerised step the Paris Bourse took in the wake of Wall Street, pressed home the reminder that the French financial markets have lost their autonomy.

And it is not just within the markets that this dependence has become clear: the entire structure of France's financial services industry has come to be driven by forces from outside its frontiers.

The winds of change now blow strongest not from the Finance Ministry,but from Brussels, with the construction of the single European market, and from Basel, where the Bank for International Settlements is presiding over new capital adequacy ratios which are increasingly imposing the logic of profitability on banks around the world.

From Brussels come a stream of banking and financial services directives with which French legislation must be aligned. Perhaps more importantly, however, is the very idea of the single market, which is forcing French banks to cast their strategy in a larger European mould.

Not all French bankers are agreed on how to approach this problem. A few have set about building up European networks through the acquisition of commercial banks wherever they can. Crédit Lyonnais, the second largest state-owned bank, has been the prime exponent of this approach, buying up banks in Belgium and the Netherlands and recently acquiring control of Credito Bergamasco in Italy. Crédit Agricole, too, has recently acquired a 13 per cent stake in Nuovo Banco Ambrosiano, in Italy, and is planning alliances with similar mutualist banks in other European countries.

Others, like the two privatised banks Société Générale and Crédit Commercial de France (CCF), have limited their retail banking ambitions to their home territories. Abroad, they have selected certain niche markets – fund management, for example, a field in which Société Générale recently acquired the UK group Touche Remnant, or mergers and acquisitions.

Potentially more ambitious is Banque Indosuez's attempt to buy 24.8 per cent of Morgan Grenfell, the City of London merchant bank. The big attraction for Indosuez here, is to boost its already considerable reputation in mergers and acquisitions as well as to build up its fund management activities.

"The practice of universal banking seems to us to be limited to the national territory. We don't plan to open branch networks in Germany or the UK, but to find niches," says Mr Marc Viénot, chairman of Société Générale.

From Basel come the Cooke ratios, a codex of prudential rules devised by a BIS committee chaired initially by Mr Peter Cooke, of the Bank of England, with the aim of harmonising bank supervision practices. These rules, by applying weightings to certain categories of asset and requiring banks to build up their capital in accordance with these weightings, have led bankers to think much more analytically about their different lines of business and to pay much more attention to the return on capital employed in each activity.

"The Cooke ratios impose on us a much higher rate of profitability than we have at present, in contradiction with the trend towards lower margins that has resulted from deregulation," says the chairman of one private sector bank.

To the French government, the Cooke ratios pose a particular problem: that of reinforcing the capital base of the state-owned banks without allowing them to sell equity in the stock market, forbidden by government dogma. For Banque Nationale de Paris (BNP) and Crédit Lyonnais, special if limited solutions have been found. One example is Crédit Lyonnais' purchase of majority control of the finance activities of Thomson CSF, the leading electronics and defence company. In return, Thomson CSF is getting 14 per cent of the bank's equity via the issue of new shares for the purpose. This is a novel if artifical way of boosting Crédit Lyonnais' capital adequacy, though the bank link does have an industrial logic for Thomson CSF.

Crédit Industriel et Commercial (CIC) has been moved off the government's own hands to those of the Groupe des Assurances Nationales (GAN), an insurer that although itself nationalised can solve CIC's capital problems without affecting the state budget.

But other banks have also found that the tightening prudential constraints imposed by the Commission Bancaire, the bank supervisory body, are forcing them to take radical action.

The most spectacular examples have been the failures of four banks controlled by Middle Eastern capital, such as Al Saudi Banque and Banque de Participations et Placements. Two other larger and more solid Middle Eastern banks, however – Union des Banques Arabes et Françaises (UBAF) and Banque Arabe et Internationale d'Investissement (BAII) – were also required by the Commission to strengthen significantly their bad debt provisions. They did so by transferring most of their risk loans off their own books into a separate company directly borne by their shareholders.

But not only the Middle Eastern banks have been obliged to raise their provisions: Banque Française du Commerce Extérieur, in the past the principal channel for trade finance, faces the same demand.

The mutual and co-operative banks, too, are busy consolidating their positions in the face of the new capital adequacy requirements. Mr Philippe Jaffré, chief executive of the Crédit Agricole, notes among the 91 regional banks which make up his group, two merged in 1988, and others are due to merge at the end of this year.

For the banking industry as a whole, the need to boost capital and profits plays against the background of an almost saturated market – 99.3 per cent of all French adults already have an account with a bank or with a savings bank, and 95 per cent have cheque accounts – where, to maintain profitability, banks must continually trim operating expenses and staff while simultaneously expanding production.

This need has driven the recent development of closer links between banks and insurance companies, although the idea of "bancassurance" is far from unanimously applauded in either profession. Straightforward life insurance policies, to all intents and purposes, substitutes for other savings products, have been sold with great success over the bank counter, but accident insurance is not something you can sell and forget: it depends on the after-sales service.

The divergence of views is demonstrated by the different tactics of France's two leading investment banking groups, Paribas and Suez. Where Suez this summer took full control of Victoire, one of the leading insurers in France in which it has long had a substantial interest, Paribas, in its bid for the Navigation Mixte conglomerate, is happy to leave its target's substantial insurance interests to West Germany's Allianz.

While banks and insurance companies have taken a very active approach to the problems that face them, and have carried out between them a radical restructuring of France's financial services sector, the government, once the driving force behind financial market reform, now appears to be in the back seat. Mr Pierre Bérégovoy, the Finance Minister, was personally responsible, in his first period in office in 1984-86, for launching a tide of modernisation. Since his return to the finance ministry in 1988, however, his reformist zeal appears to have died away: perhaps because so much has already been done, and the competitive sector has taken up the running, but perhaps also because, consumerist at heart, he has begun to reach the limits of what he can change without affecting the interests of his constituents.

If Mr Bérégovoy has taken away Crédit Agricole's monopoly on the distribution of subsidised loans to farmers, he seems to be reluctant to take away the privilege of tax-free savings booklets from the savings banks and Crédits Mutuels – one of the permanent complaints of the mainstream commercial banks.

On the question of current accounts, too, he seems to be happier with the status quo, where interest payments on cheque accounts are banned but no charges are levied, than with the idea of clearing away both bans at the same time.

In the financial markets, this reluctance seems to go further, with the excesses of the 1987 stock market crash and its lesser emulator last month prompting an interest in re-regulation.

The process of change and of integration into a global marketplace, however, has gone too far to be reversible. The creation of the single European market has opened up France to outside competitors, and the only true discipline has become the inexorable rule of profitability.

FRENCH BANKING and FINANCE 2

George Graham on plans to reform the financial markets

Taste for regulation revived

FRANCE'S financial markets breathed a collective sigh of relief in May last year on discovering that the new Finance Minister, following the return of the socialists to office, would be their old friend Mr Pierre Bérégovoy.

It was Mr Bérégovoy, in his last spell at the Finance Ministry between 1984 and 1986, who first launched Paris on its path of rapid financial modernisation. With his chief adviser, Mr Jean-Charles Naouri, and with Mr Daniel Lebègue, the director of the Treasury, the minister embarked on a far-reaching programme of reforms: starting to prune credit and exchange controls, trimming the highly segmented and often subsidised credit circuits that had built up to finance every specific sector of the economy, and creating new markets such as commercial paper and financial futures.

When the liberal Mr Edouard Balladur succeeded Mr Bérégovoy at the Finance Ministry in 1986, on the election of the right-wing government of Mr Jacques Chirac, he was irritated by the frequent comment that he was merely following in the footsteps of his socialist predecessor.

Mr Bérégovoy, likewise, was annoyed when he replaced Mr Balladur again in 1988 to find the same remark levelled at himself – and with some justification, for though the remark accurately reflects the continuity in monetary policy, on the question of financial market reform Bérégovoy Mark 2 appears to be considerably more cautious than Bérégovoy Mark 1.

Besides a new law permitting banks to securitise their loans, now coming into effect, there has been little of the innovation of 1984-86.

On the one hand are the constraints of the European single market. France is obliged to circumscribe its own changes in financial market regulation within the EC directives, such as the harmonisation of mutual fund legislation, and this has on occasions given rise to the impression that the French government was marking time waiting for the Commission to make up its mind.

On the other hand, much of the initiative for change and innovation has passed into the hands of the banks and financial services companies in the competitive sector. Where the first Paris financial futures market, the Matif, was the brainchild of the finance ministry, the second, OMF, was a private sector venture backed by a Swedish specialist in electronic banks and a consortium of French banks, launched to the furious opposition of the Matif.

But there are also signs that Mr Bérégovoy's taste for regulation has been reawakened.

The October 1987 stock market crash, and the wave of takeovers that followed it, inspired second thoughts about the quality of the stock market's judgment; the takeover of Télémécanique, the electrical

Pierre Bérégovoy: financial markets breathed a sigh of relief at his appointment

Terry Kirk

Bérégovoy Mark 2 appears to be considerably more cautious than Bérégovoy Mark 1

equipment manufacturer which had been a pioneer of employee participation, was particularly important in arousing fears of raiders.

At the same time, a series of insider trading investigations – Pechiney, Société Générale, LVMH – launched by the Commission des Opérations de Bourse (COB), the French market regulator, reinforced a widespread impression that most financiers were not only predatory but also immoral.

The message was rammed home by President François Mitterrand in a television interview earlier this year.

"I want to put the French on their guard against this takeover mania, against this gangsterism, the law of the strongest," Mr Mitterrand said. "I want to protect French producers, the heads of companies, French entrepreneurs from this roving, predatory money which grabs everything without effort."

Mr Bérégovoy has always been a faithful follower of the Mitterrand line, and he was not slow to pick up on this evocative theme, turning it into reality with legislation to strengthen the COB's powers and to regulate takeovers.

Even on the takeover rules, however, which introduce for the first time the obligation for an investor who builds up a stake of more than a third of a listed company's capital to make a full bid for at least another third of the capital, the finance ministry has been reticent. The law put before parliament included only the broad outlines; the details, including the threshold at which a bid must be launched, were left to the stock exchange to include in its own rulebook.

Where Mr Bérégovoy has been most active, however, in upholding the doctrine known in France as "ni...ni...", derived from Mr Mitterrand's election campaign pledge that there should be "neither (ni) privatisation, nor (ni) renationalisation".

Many of the banks in the French state sector are in need of capital if they are to be able to maintain their expansion while still complying with international capital adequacy ratios, and if they are to be able to pay for acquisitions, especially in building up their European networks.

Unable to raise straightforward equity in the stock market, however, they have had to resort to a variety of techniques – either complicated semi-equity securities such as perpetual capital notes, or arrangements with other groups within the state sector, such as the Caisse des Dépôts taking a 6 per cent stake in Crédit Lyonnais or the Union des Assurances de Paris exchanging 10 per cent share stakes with Banque Nationale de Paris.

Critics of the government point out that the dogma of "ni...ni..." reflects more a general immobility than any strongly directed policy.

It may be, however, that the structures of the French economy have evolved, partly under Mr Bérégovoy's impulsion, to the point that the financial markets have taken their fate into their own hands, rather than waiting for the finance ministry to decide matters for them.

As Mr Bérégovoy himself said last month (OCT): "After a long vegetation on the fringes of our economy, our financial market, profoundly transformed by the spirit of innovation and competition, has become integrated into the international capital market. This revival, recent and rapid as it has been, is beneficial, for it allows the stock market to rediscover its *raison d'être*."

THE approach of 1992 is beginning to make its mark on the fringes of the French banking scene: the question is whether the single market will have a more profound effect on the financial services industry as a whole, given the growing links between its various arms, for example, banking and insurance.

The big French commercial banks all believe in the need for international expansion and closer co-operation with entities in foreign markets. Their enthusiasm owes much to the fact they were late starters on the international scene, and want to strengthen their weak presence abroad. But, at the same time, the near saturation of the French banking market means future growth must come elsewhere. However, the banks have adopted quite individual strategies.

Crédit Lyonnais, for example, has set itself the goal of building up an extensive network of branches around Europe, and has appeared as a potential bidder in most banking businesses that have come up for sale. It has bought banks in Belgium, the Netherlands and Italy, and is believed to have looked at banks in the UK.

Société Générale, by contrast, has said it does not want to develop a pan-European commercial banking business. Instead, Mr Marc Viénot, the chairman, says it has identified specific areas such as fund management where it thinks it can gain a competitive advantage. Its acquisition of the Touche Remnant fund management company fell into that *pattern. It has also taken over* control of Strauss Turnbull, the London brokers.

Banque Nationale de Paris is trying yet another approach: it recently put together an intriguing branch swap deal with Banco Bilbao Viscaya under which it traded an 85-branch subsidiary in France for a similar number of branches in Spain.

Crédit Commercial de France has also taken the specialist approach: its international expansion route is to be on the investment banking side, particularly in corporate finance and securities. It now has an emerging network in the major European countries, centred principally on Laurence Prust, its London-based investment banking arm.

The two largest investment banking groups, Banque Indosuez and Paribas, are also deeply involved, both in their role as dealmakers, and through their international ambitions. Already, both

EXPANSION STRATEGIES

All eyes are on foreign markets

groups are linked into complex webs of cross-shareholdings which, in some people's view, contain the makings of future pan-European operations. In a recent study, Shearson Lehman Hutton, described them as "constellations" in the restructuring of European finance.

However Mr Michel François-Poncet, the chairman of Paribas, denies that there is anything as explicitly intentional. "We have no strategy, no philosophy, no concepts," he says. "We are pragmatists, opportunists."

Nonetheless, Paribas is steadily expanding its foreign

Marc Viénot

presence. The same is true of Indosuez, whose parent, Groupe Suez, recently made major international strides with its acquisition of Société Générale de Belgique, and the Groupe Victoire insurance company which brought with it large operations in Germany.

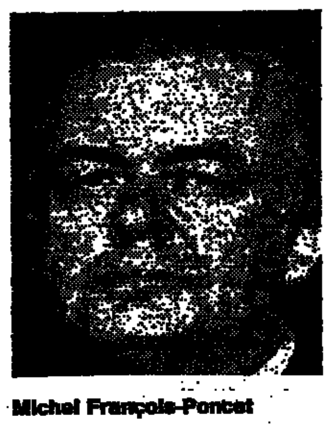
Mr Phillipe Geslin, Indosuez's joint managing director, says the bank's main growth will now come in Europe to counterbalance its traditional strength in the Far East and Asia. The bank's major move is an agreement to acquire 25 per cent of Morgan Grenfell, the merchant bank, substantially bolstering its London presence.

In the inward direction, there has also been plenty of movement. As one of Europe's largest and strongest markets – and one which is shaking off the regulatory shackles – France is attracting keen foreign interest, though the difficulty for foreign banks seeking entry is in identifying opportunities.

The deregulation of the stock exchange gave several foreign banks the chance to enter the securities business and lay the foundation of an investment banking business.

Among the most successful has been S.G. Warburg, the UK merchant banking group, whose acquisition of leading brokers Bacot Allain has put them in a strong position in the securities markets, and, increasingly, in corporate finance.

Swiss Bank Corporation entered the merchant banking



Michel François-Poncet

market by buying a small private bank, Banque Stern, which specialises in services to small and medium-sized companies. The bank will be linked in to the European investment banking network being built up by SBC, with a London base, according to chief executive, Mr Jacques-Henri David.

Whenever other small banks have become available, they, too, have been quickly snapped up, such as Banque Louis Dreyfus (by Banque Bruxelles Lambert), Banque NSM (by ABN), Banque Vernes (by San Paolo di Torino), CGIB (Caixa de Depositos) and Banque Internationale de Placements (Dresdner Bank).

Since many of the smaller banks belong to the larger banking groups where they may become superfluous, bankers expect to see a continuing stream of sales. Crédit du Nord, part of the Paribas group, is frequently mentioned. A larger takeover candidate in the long run might be CCF, the smallest of the big banks, privatised three years ago.

One of the banks on the acquisition trail for 1992 is National Westminster, the second largest UK clearer. NatWest bought five branches off Banque de l'Union Européne (BUE) last year, bringing its total to 12. Natwest has since rationalised two branches and now has 10 branches. But it is eager to expand further (both Barclays and Midland are much more strongly represented), and is looking at a wide range of markets, from personal and corporate banking, to leasing and insurance broking, says Mr Robert Allemon, vice-chairman and general manager NatWest Bank SA.

NatWest also bought Sellier, a medium-sized local stockbroker specialising in the institutional equities business, which it is tying in with County NatWest, its international investment banking arm.

Bankers expect to see the steady flow of acquisitions continue. For example, neither Deutsche Bank nor Union Bank of Switzerland, respectively Germany's and Switzerland's largest banks, have a significant presence in France – a gap which both are keen to correct. There is conspicuously less movement from the Americans who are either deeply entrenched, like Morgan Guaranty, or re-evaluating their European strategies. The Japanese are growing strongly, as they are everywhere.

Although the Second Banking Directive which lays the foundation for the single market in banking, presents no particular problems for the French, the banks are worried that they could suffer competitively from the French government's tough approach to tax matters.

Mr Dominique Chatillon, chairman of the Association Française des Banques, says the government may require banks to supply it with tax information about their clients. "This would be harmful to our image, our cost and our competitive position," he says.

Although foreign banks operating in France would be subject to the same regime, other banks would be able to offer their services from abroad and draw away business. However, the banks hope that the next budget will contain concessions which will reduce the fiscal disadvantages of the French market.

David Lascelles

FRENCH BANKING and FINANCE 3

David Lascelles investigates banking supervision

Pressures mount on Big Three

AS IN most industrial countries, one of the main preoccupations of the banking authorities in France is the implementation of the Basle agreement on capital adequacy. But, unlike most other industrial countries, this is in part a political question because of the size of the state-owned banking sector.

The Commission Bancaire, the independent agency which supervises the banking system, declines to say in detail how the country's major banks are progressing towards the internationally agreed capital ratios by 1992.

An official there says only that "on average" French banks are on target, with 10-15 banks below it. But he adds that he is confident they will all meet the minimum 8 per cent risk asset ratio on time. "I am not worried at all about the strength of French banks," he says.

The fact, however, is that the country's Big Three, Banque Nationale de Paris, Crédit Lyonnais and Société Générale, appear to be lagging behind their rivals. All were estimated by analysts to be in the 7-8 per cent range in the early part of this year, while smaller banking groups such as Compagnie Bancaire, Paribas and CCF were comfortably ahead of the requirements.

The pressures on the Big Three were also likely to grow, analysts said, because they could probably not finance their new capital requirements exclusively from retained earnings.

Among them, Société Générale, the only one in the private sector, will be able to supplement earnings with a rights issue if need be, in addition to obtaining fresh equity from conversion of existing bonds and warrants.

Given President Mitterand's pledge to neither privatise nor nationalise any more companies, the answer for the other two will lie in less conventional methods, probably further issues of non-voting stock, though there is a 25 per cent ceiling to that.

A further possibility is a deal involving another state-owned agency, such as this year's exchange of 10 per cent stakes between BNP and Union des Assurances Parisiennes, the large state-owned insurance company, which effectively increased BNP's capital by 10 per cent.

Crédit Lyonnais also obtained a FFr1.5bn capital subscription (equivalent to 6 per cent) from the state-owned Caisse des Dépôts et des Consignations, and a subsequent share swap with Thomson CSF, the state-owned defence group, brought it a further FFr 5bn, giving a big boost to its ratios. In another deal, the troubled CIC bank got an increased shareholding from GAN, the state insurer.

French bank capital

	Ratio of total capital to weighted risk assets[1] (%)
BNP[4]	7.5
Compagnie Bancaire	12.0
Crédit Lyonnais[2]	7.0
Paribas (Group)[3]	9.1
Société Générale[5]	<7.0
French average (five banks)	8.5
Swiss average	12.0
Japanese average	7.8
UK average	10.9
Irish average	11.4
Spanish average	10.7
German average	>9.0

1. Using 1992 standards – company information and SLH estimates
2. FFr1.5bn equity investment due from Caisse des Depots.
3. Equity due from conversion of bonds and exercise of warrants (strike price of FFr450) which should reach FFr2.8bn in 1991, FFr3.5bn in 1993, FFr4.2bn in 1994, FFr4.9bn in 1995 and FFr5.7bn in 1996
4. FFr1.5 to FFr2bn of equity due by year end 1989 due to "rapprochement" with the government-owned insurer UAP.
5. As much as FFr4.3bn due to recent conversion of warrants.

Source: Shearson Lehman Hutton Securities

Ashley Ashwood

Chatillon, president of the Association Française des Banques

There is no way under French law that banks can issue preferred stock – a route heavily used by UK and US banks – though a Commission official says the regulations could be changed to permit it.

The capital problems of the state-owned banks are becoming a tighter constraint now that capital adequacy is being stressed at precisely the moment when banks are feeling the effects of keener competition.

"My personal feeling is that the government will eventually be obliged to accept that nationalised banks will have to take in private funds," says Mr Dominique Chatillon, president of the Association Française des Banques.

He believes the focus on capital strength will also heighten issues of profitability in French banking, and particularly the regulatory constraints which he argues are holding it back. Here, the inability of banks to pay interest on current accounts which, in turn, prevents them from levying customer charges, is a long-running grievance.

Bankers also complain about unfair competition from the mutual savings banks who have privileged access to the cheapest funds on the market.

There has, however, been a trade-off for the banks in the government's willingness to see a large portion of pre-tax profits being applied to provisions, particularly against Third World loans. At the end of last year, the banks had already provided against 40-45 per cent of these loans, according to the Commission Bancaire.

The level was much higher at the large banks, in the 50-60 per cent range. These will continue to rise beyond 60 per cent. Although this is in line with other Continental banks, it far exceeds the 48-50 per cent set by UK banks, and 25-30 per cent most leading US banks.

CCF also embarked on a new route by hiving its Third World loans off into a separate work out subsidiary, but this route has yet to be followed by others.

The strength of the French banking system has also been a sharper issue in the wake of last year's Al Saudi Banque affair in which the Arab-owned bank had to be rescued. This was done through a bail-out organised by the Banque de France to which all other banks in France were forced to contribute. Since then there have been four smaller rescues, also of Arab banks.

Although the Banque de France has specific powers under French banking law to oblige banks to back bail-outs, the incident caused some anger, particularly among the foreign banking community which felt it was being asked to pay for the errors of others.

But the Commission Bancaire says French banks specifically wanted a solution which kept Al Saudi Banque alive, and though there was grumbling, no bank actually refused to make its contribution.

The incident had a mixed impact on Paris's reputation as a financial centre. Some foreign bankers commented that the enforced contribution showed that it was better to deal with the French market from abroad.

But others saw it as a demonstration of the French authorities' determination to preserve order in the French banking system.

Mr Robert Allemon, the chairman of the foreign bankers association, says his members felt they were being discriminated against, and he has initiated discussions with the authorities to get the basis of contributions changed. However, he stresses that foreign banks favour "private" solutions to bank crises, rather than the creation of an insurance fund.

George Graham on problems in the investment banking market

Corporate loan books grow

WITH corporate customers, it is still a hard struggle to make money on the traditional banker's business of landing more dearly than you borrow; and the race is still on for French commercial banks to build up the level of their commission earnings in the specialised fields of corporate finance previously reserved for investment banks.

For years, French banks had seen their corporate loan books suffer as companies turned away from straightforward bank credits towards securities issues. Between 1983 and 1986, securities issues had tripled their share of total funding from 26 per cent to 74 per cent.

In 1987, the tide turned sharply, and the trend towards re-intermediation has continued since then, with banks becoming once again the principal source of finance for French industry.

In the first half of this year, for example, corporate lending at Banque Nationale de Paris rose by 15 per cent. Paribas, the investment banking group with a largely corporate client base, saw total lending rise 21 per cent in the same period.

But companies are demanding very tight conditions, and the margin between the interest rate on the loan and the cost of funds for the bank is still declining.

"I have been losing 50 basis points of interest margin every year for the last three years," complains Mr Bruno de Maulde, chairman of Crédit du Nord.

The result is that, even though their corporate lending volumes are increasing again, French banks are still eager to develop as much as possible in areas that are less dependent on interest rate movements.

The development has not always been smooth, at least in terms of earnings. Last year, for example, all the leading French retail banks saw their commission earnings on stock market transactions slump from the exceptionally high level of 1987, when they were swept on by the wave of privatisations.

French banks have also run into the same difficulties as many of their international competitors in their forays into stockbroking. All the big three French commercial banks – Banque Nationale de Paris, Crédit Lyonnais and Société Générale – lost money on their London securities operations last year, though the palm goes to Crédit Lyonnais with its FFr603m loss at Alexanders Laing and Cruickshank, its London broking subsidiary. ALC still lost FFr54m in the first half of 1989, but this was already substantially less than in the same period of 1988, and Mr Jean-Yves Haberer, the bank's chairman, says that the operation is turning round faster than expected.

One of the most keenly studied sectors over the past year has been the field of mergers and acquisitions. It has attracted considerable attention from the commercial banks in their search for ways of diversifying their sources of earnings and turning a profit from their corporate client lists.

The field is still very much dominated by the older specialists. Lazard Frères is still the standard to which all the others refer in M&A, with some other discreet family partnerships like Messrs Worms et Cie also prominent, and the two main all-round investment banks, Banque Paribas and Banque Indosuez, highly placed.

But the commercial banks, or their merchant banking subsidiaries, have made considerable progress, and the BNP's subsidiary Banexi, Crédit Lyonnais, Société Générale and Crédit Commercial de France now feature as advisers in a growing number of deals.

French banks have run into the same difficulties as many of their international competitors in their forays into stockbroking

According to PF Publications, a specialist publisher, Lazard was the top ranked adviser in 1988, with deals worth a total of FFr55.7bn to its credit, followed a long way behind by Indosuez with FFr25.9bn. In number of deals, Lazard, with 43, ranked second behind Paribas, with 49.

The French M&A market is still relatively narrow, so that the figures can still easily be thrown out by one or two large acquisitions. The presence of Wasserstein Perella, the New York M&A specialist, in third place by value does not reflect a strong presence in the French market but a single cross-border deal, Pechiney's acquisition of American National Can.

Even without the big headline deals, however, the market is buoyant and is progressively opening to a wider circle of participants.

Banque Française du Commerce Extérieur (BFCE), the foreign trade bank, for example, has built on its wide list of corporate customers to develop its own merchant banking activities, leading, for example, the buy-out of Veritas, the international specialist in certification and security checking.

Union d'Etudes et d'Investissements, the equity investment arm of the Crédit Agricole, plans similarly to take advantage of its portfolio of holdings and its specialist position in the food and agricultural sector to develop its business as an adviser.

"We are no longer just an instrument for taking equity stakes, we are becoming a merchant bank," says Mr Lucien Dauroux, the company's chairman.

The marriage of equity participations with corporate finance advice, traditionally one of the points which distinguished the French "banque d'affaires" from the British merchant bank, plays an important role in many instances. Not many commercial banks find they can command the same fees as Lazard or Paribas, and in calculating the profitability of their M&A activities they are often obliged to take into account the capital gains on the stakes they take in the company they are advising.

Some of the older specialists find the inroads of the commercial banks have reduced fee levels on some operations below the break-even point, both in M&A and in the field of new issues.

"If the large retail banks are forced to pay interest to their customers on current accounts, that could force them to pay more attention to their profitability elsewhere. That could mean better remuneration for us," says Mr Michel François-Poncet, chairman of Paribas.

"French bankers are sometimes less demanding than their Anglo-Saxon competitors in terms of remuneration. There is often an inadequate appreciation of the risks involved," adds Mr Philippe Geslin, joint managing director of Indosuez.

All the same, the M&A market appears likely to remain buoyant for some time to come, even if there are far more buyers than sellers.

"The market is in full expansion and will continue to be so for several years for at least two reasons: one is the European dynamic, with frontiers falling and companies regrouping on their core activities, and the other is the fact that companies now have the financial resources to carry out this expansion," concludes Mr Jacques-Henri David, chairman of Banque Stern, a specialist investment bank now controlled by Swiss Bank Corporation.

David Lascelles investigates increasing competition in consumer banking

A love-hate relationship with customers

"INDIVIDUALLY, people like their banks, but generally there is anti-bank feeling – consumerist hostility."

Thus does Mr Michel Pébereau, the chairman of Crédit Commercial de France, describe the uneasy relationship that exists between banks and the retail customers in France. On the one hand, the French embrace banking services to the point where they are one of the most highly banked nations in Europe – more than 90 per cent of all adults have accounts. On the other, consumers view with the greatest suspicion any attempt by banks to charge more for their services, as they tried to do with disastrous results two years ago.

In spite of the considerable strides which French banks have made in improving their services and introducing new ones such as electronic banking and credit cards, the question of bank charges, and all the implications that flow from it, has become one of the central issues shaping the growth of retail banking.

As bankers describe it, the problem stems from legislation which prohibits the payment of interest on current accounts. The fact that banks enjoy "free" current account balances means they cannot charge for current account services.

"It will be extremely difficult, in our opinion, to change this situation because people are so sensitive to it," says Mr Dominique Chatillon, the chairman of the Association Française des Banques.

The position is aggravated by the fact that the French paper-based payments system is exceedingly costly to run. Yet so long as people get their current account services free, there is no incentive for them to use other services, particularly since the alternative – credit cards – does involve charges.

Mr Pébereau points out this irony here: "The old-fashioned techniques are free and the new are charged, therefore the old is holding back the new." This contributes to the pressures on profitability which he ranks among his main concerns.

The banks do not expect any major change because of the obvious political obstacles in the way of abolishing the usury law. It is also believed that the banking authorities are against change because they fear that a liberalised, competitive regime would oblige banks to pay interest on current accounts to retain balances, but prevent them from levying charges for fear of driving customers away. Banks would therefore be squeezed on both sides.

Another fear is that after 1992, foreign banks will be able to use the single market to offer liberalised accounts which French banks will not be able to match. But the view of the AFB is that this is not a threat because foreign banks operating in France will still have to respect the local bank law.

The result of this impasse is that banks have devised all sorts of ingenious, but costly, ways of effectively paying interest on current accounts – by, for example, combining savings and current accounts. They have also learnt to recoup charges by maximising the "float" of payments in transit. Many bankers, in fact, believe that these bypass arrangements will become so institutionalised that the existence of the usury law will cease to be an issue.

The French consumer banking market is notable for the many different types of banks – often operating according to different tax and regulatory regimes – which compete against each other: the commercial banks, the mutual savings banks, the popular banks and giant confederate banks such as Crédit Agricole.

Differences among them also cause aggravations. For example, the commercial banks resent the tax-privileged status of the mutual savings banks who are able to take in deposits at what other banks consider to be highly uncompetitive rates.

However, the credit constraints under which banks lived for many years until the corset was lifted three years ago prevented them from expanding many key areas of the consumer market, particularly mortgages and personal loans. This opened up the market for specialist firms such as Compagnie Bancaire and Crédisuez, respectively, offshoots of the Paribas and Suez groups.

Operating with few branches but with centralised marketing and management, both have attacked the personal lending market, and branched out into areas such as factoring, leasing, fund management and life insurance. They have also begun to export their services.

Mr André Lévy-Lang, the chairman of Compagnie Bancaire, predicts that the trend towards greater specialisation in the market will continue as the financial services sector becomes progressively more liberalised. He points out that his company's mortgage book is already the same size as Société Générale's.

At Crédisuez, Mr Philippe Pontet, executive chairman, describes his strategy as one of "hyperspecialisation" and stresses the role of innovation: for example his group was one of the first to introduce the variable rate mortgage into France's traditionally fixed rate home loan market.

In spite of the strides which French banks have made in improving services, the question of bank charges has become one of the central issues shaping the growth of retail banking

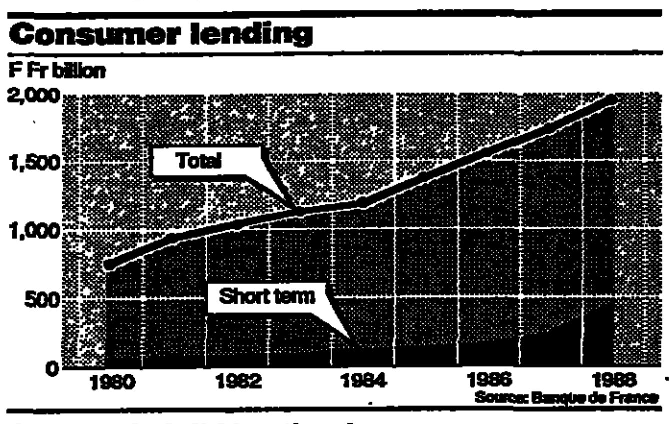
However, the big banks are now hitting back at the specialists, using their powerful store of cheap funds to price loans extremely aggressively, provoking accusations of dumping from the specialists.

Given the heavy costs they already bear in their credit card and transaction accounts, this can only squeeze even more the – by international standards – low margins which French banks earn on their consumer business. The irony of all this is that even though the French tend to dislike their banks, they actually get quite good value out of them. In a recent study of the French banking scene, Shearson Lehman Hutton commented: "The French 'citizen', we believe, is better served by his bank with respect to the price of certain financial services than his counterpart in other western countries."

Ashley Ashwood

André Lévy-Lang: trend towards specialisation will continue

Consumer lending



Leading banks - 1988

Bank	Capital ($m)	Assets ($m)	Profit ($m)	Staff
Crédit Agricole	8,740	214,382	852	73,938
Banque Nationale de Paris	5,567	196,955	576	58,595
Crédit Lyonnais	5,409	178,878	811	58,151
Paribas	5,324	121,617	n.a.*	26,000
Société Générale	4,874	145,661	883	45,462
Group Ecureuil	4,372	150,253	715	n.a.
Groupe des Banques Pop	2,143	56,124	n.a.	n.a.
Compagnie Bancaire	2,000	30,737	358	8,003
Banque Indosuez	1,539	48,156	241	13,054
CIC Group	1,509	63,021	255	27,000
Crédit Comm de France	1,310	38,515	134	12,500
Sovac	563	6,897	120	2,106
Al Ubaf Banking Group	548	13,401	-40	1,100
Crédit du Nord	400	21,116	-23	11,452
Cie Parisienne Reescompte	267	7,465	77	208
Banque Fed du Credit	257	7,164	63	1,155
Banque Worms	221	10,192	34	1,863
BFCE	199	38,281	13	2,612
Eurobank	191	6,373	n.a.	n.a.
Société de Banque Thomson	177	2,604	n.a.	n.a.

*Compagnie Financière de Paribas profit was FFr2.654bn

Source: The Banker

Ashley Ashwood

Queue at a Paris cash point: great strides in electronic banking

Ashley Ashwood

New smart card with a memory chip in the top left hand corner

George Graham discusses the introduction of smart cards

Technical problems slow down extension plans

FRANCE'S banks have reaffirmed their commitment to the introduction of smart cards, equipped with memory chips, throughout the country as the standard payment card by the end of 1991.

Already, some 2m of the 18m cards in issue are smart cards, mostly in the regions of Brittany, Provence and the Rhone-Alpes, and the programme is to be extended progressively to the rest of France.

But all is not well with the smart card programme. The extension of the cards has gone slower than at first hoped, technical problems have hit some areas, and some banks have started to contest the technical choices made.

The most serious incident struck this summer on the Cote d'Azur, where around 100,000 cardholders found that the chip in their smart cards had been burnt out by surges of electric current in some designs of shopkeepers' terminals, which are now being modified. This did not, in fact, cause any problems to customers, because their cards still have, in addition to their chips, the same magnetic stripes as ordinary cards, and these stripes still functioned perfectly. Nevertheless, the incident caused a good deal of panic among cardholders who feared that they might be left stranded and unable to use their cards.

More serious for the future of the card system in France,

On the Cote d'Azur, around 100,000 people found the chip in their cards burnt out by surges of current in some terminals

run by a single consortium which ensures mutual compatibility for all issuing banks, is its economic structure.

"Organisationally, the national consortium supplies one of the best services in the world, notably the principle of mutual compatibility. Unfortunately, on the economic level, the system is totally catastrophic," says one leading commercial banker. "This is the only country in the world where credit cards lose money."

Mr Raoul Bellanger, the former head of the bank card consortium, estimates that total income from cardholders' subscriptions and from commissions paid by sales outlets amounts to some FFr3bn, well short of the FFr4bn it costs the banks to issue cards, handle transactions, write off their investments and absorb the cost of fraud.

His successor, Mr Max Auriol, asks: "Do card users realise what the real cost is, and are they ready to pay their fair share?"

The problem seems unlikely to get better. The bank card consortium was taken to task a year ago by the French competition council for the way it calculates charges. Although the consortium has made some modifications to the charging structure, it has failed to win approval from the competition council. The case is due to be decided by the appeals court later this month.

Bankers argue that it was the government which obliged the Carte Bleue grouping, including most commercial banks issuing Visa cards in France, to merge in 1984 with the two major mutualist banks, Credit Agricole and Credit Mutuel, associated with the Eurocard network. It is therefore absurd, they say, to accuse the banks of acting as a cartel.

"The cost of issuing and handling a card is clearly the same for everyone, but the competition council wants us to have different prices. They tell us that we are behaving as a cartel if we have a single price, but the cartel was organised by the state," complains one banker.

A number of banks are now increasing the annual fee levied on cardholders – a move they tried to make last year, but had to give up in the face of fierce moral pressure from the finance ministry – but the commissions paid by retailers are still among the lowest in Europe.

One brighter side to the picture is that credit card fraud, which had been rising steadily as cards became more widespread in France and had risen by 50 per cent in 1987, took a downturn last year for the first time. The volume of payments made by card rose by 60 per cent in 1988 to FFr274bn, but the level of fraud fell by 9 per cent to FFr320m.

Credit card fraud, which had been rising as cards became more widespread, took a downturn last year for the first time

Fraud losses thus dropped to 0.12 per cent of card payments – excluding withdrawals from bank automated tellers – from 0.2 per cent in 1987, but the consortium is still aiming to reduce further to around 0.07 per cent.

When smart cards are finally introduced across the country, they could help the consortium to reach this target, though they will also be more expensive to issue than the standard magnetic stripe card.

One of their principal advantages is that the built-in chip allows the user's secret identification code to be checked by an algorithm programmed into a relatively small terminal. Previously this could be done only with terminals connected on line to a main computer centre.

It seems likely to be several years, however, before enough retailers are equipped with the right terminals – redesigned so that they do not burn out the chip – for it to become more commonplace for cardholders to tap out their PIN codes instead of signing on the dotted line.

George Graham investigates the Minitel videotext network

Stay at home and be served

FRENCH banks are doing their damnedest to make their clients stay away from their branches.

However, this is not part of a "Be beastly to the customers" drive. Banks are using the carrot of better service, not the stick of refusing to deal with clients over the counter – as some US banks tried unsuccessfully a decade ago – with the aim of tempting people to use their home banking services.

France's banks have one big advantage over their foreign competitors in this field: the Minitel, a videotext terminal handed out free to French telephone subscribers, which provides an effective, and cheap, tool for reaching customers at home.

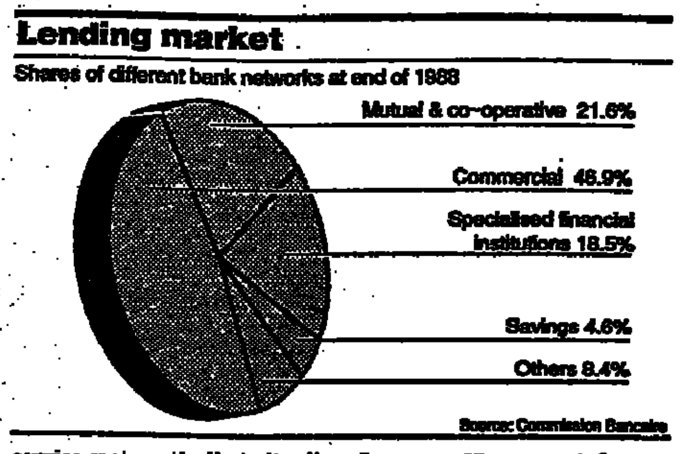
With nearly 5m Minitel terminals now distributed in France, the potential client base is very large. France Telecom estimates that at the start of this year 16 per cent of households were equipped with a Minitel, and more than 30 per cent of the active population had access to a terminal at home.

Banking is now the fourth most widely used category of Minitel service, following the electronic phone directory, mail order and travel reservations, and an estimated 1.4m people have now signed up with their banks for home banking services.

One of the leaders in the field is Crédit Commercial de France, which in 1984 became the first bank to offer a Minitel service systematically to its clients. It had 214,000 customers on its Vidéocompte at the end of last year, allowing them to consult their balances and shift funds from one account to another; 60,000 of them have also signed up for Libertel, which teams the account with a revolving credit, and the CCF has now launched Vidéotitres, adding stock market dealing facilities.

Lending market

Shares of different bank networks at end of 1988



Source: Commission Bancaire

Crédit du Nord, the retail bank owned by the Paribas group, was also a pioneer with its Norvidéo account, which now claims 130,000 subscribers. Crédit du Nord also offers stock market dealing services, and notes that this has allowed it to cut errors on share orders by 97 per cent to virtually zero.

But the big three banks have also embarked on home banking. Crédit Lyonnais had 243,244 retail customers on its Télélion account at the end of June, up 87 per cent from a year earlier, and 25,364 customers on its professional Minitel account, a rise of 51 per cent. Société Générale had 110,000 subscribers by the end of last year, making an average of 500,000 calls totalling 20,000 hours a month. Banque Nationale de Paris was slower to get off the ground but has also been expanding its Minitel services.

Even the Post Office has now launched a home banking service for its 8.8m banking clients. The service is likely to be gratefully received, since the queues at the post office are notoriously long.

These Minitel services offer a clear advantage to the banks in that they can reduce the costs of handling a customer account. One of the reasons CCF was so enthusiastic about offering home banking to its customers was that it had rashly promised them free statements every time a transaction was made on their accounts, a costly procedure. The Post Office acknowledges the same reasoning: its Minitel account will carry a subscription charge, but will be free to customers who have agreed to receive printed statements less frequently.

At the same time, however, it allows customers to make better use of their money by switching surplus balances from their cheque accounts into savings accounts. This is particularly important, since French law prohibits interest payments on current accounts. For the time being, however, banks are reluctant to allow customers to buy and sell units of money market funds, which generally bear no entry or exit charges, through their Minitel accounts.

The question of interest payments on cheque accounts has become the subject of fierce debate in France, as a number of banks have launched products providing automatic sweeps of cash balances into interest-bearing accounts. Many senior bankers note, however, that any customer who wanted to take the trouble – and this includes small companies with their cash surpluses – could already do almost the same thing through the Minitel.

"It is clear that the client who uses the Minitel facilitates our task because there is less administration involved – a stock market order by Minitel, for example, costs 10 per cent less to process. But it is also clear that the client will manage his treasury better on Minitel," says Mr Pierre Simon, managing director of Crédit du Nord.

"With the Minitel, I believe everyone wins."

Patrick de Jacquelot defines 'bancassurance'

A marriage is arranged

A NEW buzzword is going round the French financial world. Astonishingly, it is for once neither English nor even Franglais: "bancassurance" is a home-grown French product.

It is no mere accident that the coining is purely French, for France has shown a particular interest in the concept of marrying the two trades of banking and insurance.

This interest has already taken concrete form in two operations: the takeover of the Crédit Industriel et Commercial (CIC) bank by Groupe des Assurances Nationales (GAN), and the alliance between Union des Assurances de Paris (UAP) and Banque Nationale de Paris (BNP).

The debate is fierce among bankers and insurers. Among the proponents of "bancassurance", besides those just mentioned, are groups like Compagnie Financière de Suez, which has just taken control of the insurance group Victoire. They underline the complementarity between the two businesses, one of which brings in long-term savings and the other short-term deposits.

They also stress the need to offer a global financial service to their individual as well as to their corporate customers, and the advantage of greater size.

In the rival camp are groups such as AXA-Midi, Paribas, Société Générale, Assurances Générales de France (AGF) and Crédit Commercial de France (CCF). They believe, for the most part, that if you try to do several things at once, you will not do them well.

Although they are ready for *ad hoc* co-operation agreements, they do not feel that is necessary for this purpose to have substantial shareholding links.

Of the two major operations now under way, the most spectacular, in structural terms, is being carried out by GAN, the third largest nationalised insurance group, and CIC, a group of regional banks which is also under state control. Unlike the agreement between Lloyds Bank and Abbey Life in the UK, this time it is the insurance company which has taken control of the bank.

At GAN, officials explain that their main interest was to gain access to a complementary distribution network, and thus to a potential market share.

Experiments in distributing accident insurance policies have started in some bank branches, and the two groups have also started joint marketing approaches to small and medium-sized companies. Plans are also being laid to rationalise their computer systems, especially in areas such as securities custody or the handling of stock market orders.

"From now on, we are no longer an insurance company but a financial services group," says a senior executive of GAN.

Though alluring on paper, the strategic approach has not convinced everyone. Some financiers believe that GAN will have a great deal of difficulty in taking real control of a banking group which is as large as itself and has a particularly complicated structure.

CIC is, in fact, a federation of regional banks, each of which has a large degree of autonomy and some of which, in addition, are not in the pink of health. It will doubtless be several years before it will be possible to judge the success of the operation.

Less ambitious in shareholding terms, the second major link-up concerns France's largest insurance company, UAP, and its largest commercial bank, BNP. The two groups, both nationalised, had at first drawn up a plan for a joint holding company. At the demand of the government, they trimmed down this plan to a more modest proposal: crossed shareholdings of 10 per cent.

The application of the co-operation agreement is still being studied. This month, the two groups are to embark on a test programme, marketing UAP's products through the BNP branch network and vice versa.

"The professions will remain separate, since they are technically very different, but from the point of view of the customer we are moving towards a more marked integration of financial services," says Mr Jean Peyrelevade, chairman of UAP.

Once again, however, it will not be possible to take the real measure of this link-up for some time.

It is, in any case, no accident that these two operations involve four state-owned companies, which do not have normal access to the capital markets.

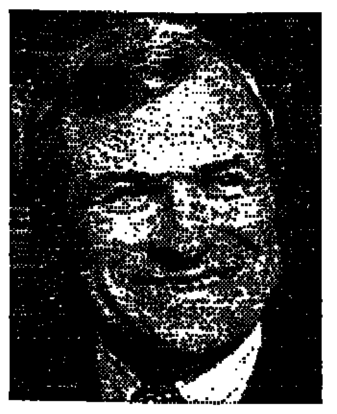
By transferring majority control of CIC to GAN, the government was able to resolve the capital difficulties of the bank without having to pay out itself. In the same way, the 10 per cent crossed shareholdings between UAP and BNP have reinforced the capital of these two groups.

Independently of broader strategic considerations, this certainly provided a good enough reason on its own for carrying out these regroupings.

The insurance business also interests other banks, even if they have not gone to the same lengths. A number of banks are building up their own subsidiaries to sell savings products based on life insurance to their customers.

But accident insurance, too, is starting to attract some banks. Crédit Agricole, for example, which has had a huge success with Predica, the life insurance company it set up three years ago, has just announced the launch of a specialised property insurance company.

The author is banking correspondent of Les Echos.



Claude Bébéar

Leading insurance companies – 1988

Group	Direct life business (francs million)	Direct accident business (francs million)	Total direct business	% change 88/87	% market share	Group domestic profits (francs million)
UAP	19,662.9	15,762.2	35,425.1	+10.2	11.2	+1,261.6
AXA-Midi	10,426.6	17,333.8	27,760.4	+22.4	8.6	+2,216.8
AGF	12,090.9	10,979.6	23,070.5	+5.3	7.3	+1,615.3
Groupama	5,502.1	16,147.7	21,649.8	+2.0	6.9	+1,777.2
GAN	9,202.4	8,123.0	17,325.4	+14.7	5.5	+1,411.5
Prédica	17,240.8	–	17,240.8	+161.5	5.5	+241.1
CNP	15,393.1	–	15,393.1	+23.9	4.9	+623.7
Groupe Victoire	8,094.2	4,814.0	12,908.2	+21.5	4.1	+912.7
Mutuelles du Mans	3551.6	7965.9	11,517.5	+10.0	3.7	+1,091.9
Athéna	2,731.1	5,528.4	8,259.5	+3.1	2.6	+654.7

Source: L'Argus

INSURANCE

International expansion

"SIZE" and "internationalisation": these two watchwords have become the guiding strategic principles of the French insurance industry over the past few years.

Acquisitions and alliances have multiplied to the point that the insurance sector has changed almost beyond recognition in 18 months. The most striking phenomenon has been the emergence of two major and fast-growing groups in the private sector, AXA-Midi and Suez-Victoire-Colonia.

Two years ago, there was a clear line of demarcation between private sector and public sector insurance companies. The three state-owned insurers – Union des Assurances de Paris (UAP), Assurances Générales de France (AGF) and Groupe des Assurances Nationales (GAN) – stood head and shoulders clear of the numerous small and medium-sized companies of the private sector.

Today, this league table has been completely overturned, and UAP is the only state company to remain in the top three.

The intervening period has seen a cascade of acquisitions in France and abroad. Literally obsessed by the need to grow on an international scale, French insurers have expanded abroad, by acquiring either modest stakes in foreign companies or achieving big takeovers – and, in the process, allowing other European insurers to buy stakes in French companies.

The most impressive transformation has been carried out by the AXA group. In June 1988, the company, headed by Mr Claude Bébéar, surprised its competitors by allying with Mr Bernard Pagézy's Compagnie du Midi, to head off Italy's Generali, which had been building a substantial stake in Midi. Until then, Mr Bébéar and Mr Pagézy had been principally known for their mutual hostility.

The logical denouement came in February, when Mr Bébéar ousted his rival and took the combined AXA-Midi group into second place in the French insurance market. In July, Mr Bébéar completed the operation by signing an agreement with Generali, sketching the outlines of a major international grouping.

AXA does not intend to stop there. The group already has a strong presence in the UK through Equity & Law, the life insurance group bought in 1987 by Midi. Now, Mr Bébéar has taken a key role in the bid launched by Sir James Goldsmith for BAT: if the operation succeeds, AXA-Midi will take control of BAT's US subsidiary Farmers, gaining in the process a significant footing in the US accident insurance market.

Until last summer, Mr Bébéar's group was widely thought to be the only company in the private sector capable of taking such spectacular steps. The surprise was all the greater, therefore, when Victoire carried off the improbable exploit taking control of a West German insurer; and not just any insurer, but Colonia, number two in the country behind Allianz.

Victoire had previously lived under a veil of extreme discretion, and had only come to public attention through its abortive attempt to ally with Royal Insurance in the UK. Through the Colonia purchase, it in turn hoisted itself into second place among France's insurers, behind UAP but ahead of AXA-Midi.

That was not the end of the story, however, for after disagreements between the main shareholders, Compagnie Financière de Suez, until then an important but minority shareholder, launched a takeover bid for Compagnie Industrielle, Victoire's holding company.

The bid was successful, and the combined Victoire-Colonia insurance company is now integrated into a financial services group ranking among the very largest in Europe, with interest ranging from investment banking, with Banque Indosuez, to industry, through Société Générale de Belgique, by way of specialised lending activities.

In the next few weeks, the group is expected to be strengthened by the arrival of other insurance companies as minority shareholders in Victoire, alongside Suez. A number of foreign companies – British, Belgian and American – are candidates, but UAP itself, still the largest French insurer and already a major shareholder in Suez, appears to be the best placed.

UAP continues to be among the most active of the French insurance companies, and its number one ranking is still not under threat – at least unless AXA succeeds in taking control of Farmers. Rather than spectacular acquisitions, UAP has gradually built up a series

Continued on Page 6

The dealing room of Banque Nationale de Paris — Ashley Ashwood

David Lascelles examines Paris as a financial centre

Important transformation

A KEEN awareness of Paris's place in the financial world strikes any visitor there these days. But what is that place, and what are its prospects?

That Paris has changed fundamentally in the 1980s is no longer in doubt. The reforms which have opened up the stock exchange, the privatisation of a large part of the banking industry, the removal of most foreign exchange controls, the new aggressiveness of French financial management, and the development of new markets for options and financial futures: all these have transformed Paris into a financial centre of considerable importance.

There are 168 foreign banks in France, and the number grows monthly

"In five years, France has moved from being one of the most highly regulated markets in Europe to one of the most deregulated, in parallel with the UK," says Mr Jorgen Wagner-Knudsen, senior vice-president of Morgan Guaranty's Paris branch.

There are now 168 foreign banks in France, and the number grows monthly. This puts it third in the world, after London and New York. Several foreign institutions belong to the Paris Bourse, and more foreign companies are quoted there all the time. The natural goal would seem to be to aim to match London's predominance of the European time zone. But this is not the case.

"If we were to get into a battle with London, I don't think we would win," says Mr Patrick Duverger, head of Société Générale's capital markets operations, reflecting a widely held view. "But we do have a chance to be first on the Continent. Germany has far to go, and Switzerland is a small market."

Much of Paris's advance lies in the evolution of the stock market. From a position where it was only a fifth of the capitalisation of the London market, the Bourse is now nearly a third as large. It also has more modern trading and settlement systems than London, and further changes being introduced will facilitate market-making, the key in many people's view to a market of international stature.

The growing foreign presence on the exchange is also encouraging international use of the market, and stirring a growing volume of cross-border dealing. This, in turn, is forming the basis for a bigger investment banking and corporate finance industry. Paris's lower costs and more central Eurpean location are also pluses vis-a-vis London.

All this has taken place under the active guidance of Mr Pierre Bérégovoy, the Finance Minister who has taken a close personal interest in Paris as a financial centre.

But there are also clear limitations on Paris's aspirations. For one thing, Paris is not the home of any major international market, such as Eurobonds or foreign exchange, both of which give London its world stature. This would explain why, despite the growth in the foreign banking presence, the number of international institutions there is only half that of London. The largest foreign banks in Paris also number their staff in the hundreds where they would be in their thousands in London.

Another limitation is the shortage of skills, due mainly to the rapidity of recent changes. "Paris is strong insofar as financial instruments are concerned, but not people," says Mr Michel François-Poncet, chairman of Paribas, the investment banking group with extensive international connections.

However, "Anglo-Saxon" skills and techniques are finding their way into the French market. Leveraged finance transactions are beginning, though they are held back by a shortage of financing sources. "France has been able to assimilate the high leveraged culture", says Mr Philippe Geslin, joint managing director of Banque Indosuez.

Anglo-Saxon skills and techniques are finding their way into the market

A further issue is the less tangible question of regulation and business ethics. Recent insider trading scandals involving allegations of insider dealing in shares in top companies like Société Générale have raised questions about the integrity of the French markets. While such scandals have also hit London, New York and Tokyo, they have highlighted the tight web of corporate and personal contacts that run through the French business establishment and made foreigners, in particular, suspicious of intrigue.

"This is a very clubby place", says a European investment banker. "They are quite capable of moving the goalposts."

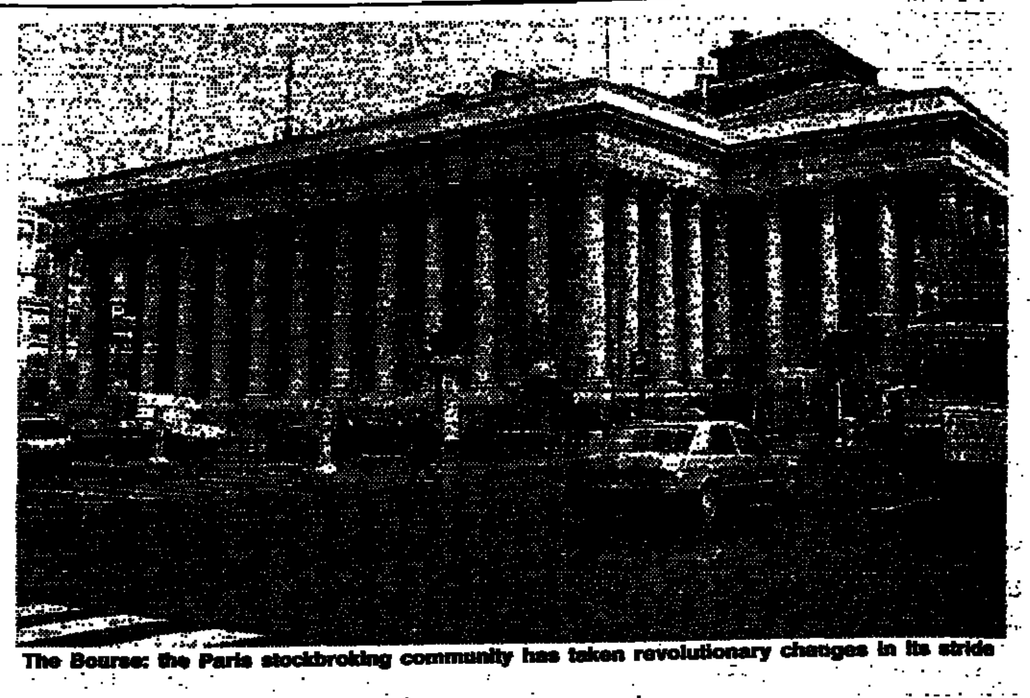
Mr François-Poncet agrees that ethics play an important role. "The French will have to adjust to gain credibility," he says, though he believes that French banks are already making that adjustment.

The stock exchange has introduced rules governing the conduct of takeovers which should make market manipulation harder. A committee headed by Mr Didier Pfeiffer, managing director of UAP, has also been asked to clarify insider trading practices. But though French law outlaws insider trading, it has yet to be seen whether the allegations made in the Société Générale and Pechiney-Triangle cases will be pursued to the point of charges.

A specific complaint which the finance industry constantly gives vent to is stamp duty on the bourse which, it claims, is driving equity trading business out of Paris, mainly to London. A few weeks ago it was raised again by bankers at a private meeting with Mr Bérégovoy.

"We thought it would be abolished this year, but it probably will not now be," says Mr Patrick Poupon, chief executive of stockbrokers Sellier. Stamp duty is, however, a universal complaint in the securities business, and London dealers are just as critical about the UK levy.

The recent collapse in world stock markets also gave the Paris market the chance to demonstrate its ability to cope with a major upheaval. It emerged with mixed reports. Although a huge volume of shares was traded, a large number of shares had to be suspended because they fell more than the allowed limit, and this irritated many foreign brokers.



The Bourse: the Paris stockbroking community has taken revolutionary changes in its stride

George Graham looks at the equity market

Year of quiet change

IT HAS been a year of quiet revolution on the French stock exchange. Radical changes, which five years ago would have been greeted with incredulous outrage, have taken place with barely a ripple — the transfer of the very last stocks from the floor of the exchange on to the CAC electronic trading system, the end of the fixed commissions tariff on July 1, the introduction of market-making on October 2.

It even looked at one point that the stock exchange would leave the Palais Brongniart, the imposing edifice that has been its home since 1826, when the lease runs out next year, although Mr Régis Rousselle, the chairman of the exchange, has quelled fears on that point.

The Paris stockbroking community has taken these changes in its stride, as part of a longer process begun in the early 1980s and accelerated by the institutional reform launched in 1987 by Mr Edouard Balladur, then finance minister.

And when the stockbrokers' closed shop, set up by Napoleon, finally disappears on January 1, 1993, its demise seems likely to be saluted with little more than a shrug.

What has been built over the past few years is a market which prides itself on being the most modern and effective in continental Europe: electronic trading systems that have been developed from the CATS model of the Toronto Stock Exchange into Paris's own CAC system; overhauled takeover and disclosure rules; stiffened capital and prudential requirements for stockbrokers; and, next year, the Relit settlement and delivery system which will put London's back-offices to shame.

Behind this authentically promising picture, however, lurk some less golden aspects, the most obvious of which is the stock exchange itself.

After losing FFr614m, around a third of its reserve fund, in uncovered positions on the financial futures market at the end of 1987 and the start of 1988, the exchange then completely revised its accounts; it discovered that it needed to make another FFr700m of provisions to cover deficits at a number of member firms.

Since then, the position has been a little better, but the exchange still announced operating losses of FFr120.5m for nine months to December 31, largely as a result of the decline in turnover.

It also made new provisions totalling FFr380.3m, some of them to cover redundancy payments to employees and additional tax liabilities in the wake of an inspection, but FFr246m to cover further risks on member firms.

This year, turnover in the equity market, at least, has recovered, to average FFr2.3bn a day in the first eight months of the year, 60 per cent higher than in the same period of 1988.

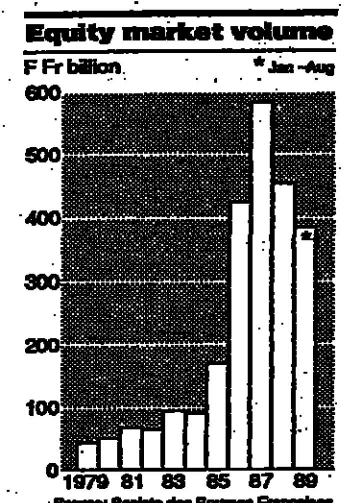
The exchange has also revised the structure of the charges it levies on member firms.

But many of the healthier stockbroking firms are worried about their weaker brethren, especially those that chose to specialise in the bond market. Bond turnover has stagnated this year, and commission rates have been slashed to the bone.

Two firms, Baudoin and Buisson, had already had to file for bankruptcy in 1988, and in July this year, Rondeleux, ranked among the 10 largest firms on the exchange in trading volume, followed suit.

Rondeleux, whose problems stemmed principally from long-standing difficulties with a new computer system that had hampered its back office, had originally agreed to be bought by CIC-Paris, the main division of the Crédit Industriel et Commercial banking group now controlled by the state insurer, Groupe des Assurances Nationales (GAN), but CIC pulled out when it saw the size of the problem.

However, the danger is more widespread. A third of Paris's 45 broking firms lost money in 1988, and another third made less than FFr10m of profit — "which means they did not make enough to get a return on their capital, as they should be putting all of that into provisions for operating risks", as one healthier stockbroker remarks.



Source: Société des Bourses Françaises

The big, solidly implanted equity firms remain profitable, with Cheuvreux de Virieu, now owned by Banque Indosuez, Bacot-Allain, part of the Warburg group, and Cholet Dupont, partly owned by Crédit Lyonnais, at the top of the profession.

Some smaller firms have been completely absorbed by commercial banks. Many of the less profitable firms are backed up by a strong institutional shareholder.

But there remain around 10 brokers in regular deficit with the exchange, which continues, under a traditional system which is increasingly contested, to provide the equivalent of overdraft facilities.

"It is completely abnormal that the stock exchange should cover the daily and monthly shortfalls of lossmaking brokers," complains one senior broker.

The pressure on brokers' profit margins seems likely to continue as the market gradually reacts to the abolition of the fixed commission tariff on July 1 this year.

The abolition was not as traumatic as it might have been, since for French institutions, de facto if not de jure, commissions on orders above FFr2m for equities and FFr10m for bonds have been negotiable for years through the system known as "retrocessions".

These retrocessions, or clawbacks, were payable only to banks and credit institutions, but every insurance company or fund management group contrived one way or another to have the retrocession paid to a bank within its orbit. This applied to almost all small client orders, since these are virtually always handled in France through a bank, rather than directly through a stockbroker.

The rule change, however, allowed negotiable commissions for foreign institutions, too, and on smaller orders. Banking and insurance associations agreed to moderation, but there has been some downwards pressure on margins. The major brokers acknowledge an informal gentlemen's agreement not to go below 0.3 per cent, rising for smaller orders, but commission levels have in fact moved closer to 0.25 per cent.

Some smaller brokers have also made a push for market share by offering rates as low as 0.15 per cent.

Other brokers, meanwhile, have contrived to make back a good deal of what they lose on commissions by taking, in addition, a spread on most transactions, even before the formal introduction of market-making on October 2. Spreads provided as much as 40 per cent of earnings for some broking firms last year.

The sharp plunge in share prices on October 16 had the short term effect of raising volumes, but in the longer term, investors may once more be deterred from the stock market, and this could depress volumes again.

Mr Rousselle, on the other hand, is looking ahead to a wider European equity market. In competition with a proposal from the London stock exchange to extend its Seaq International system, Mr Rousselle will propose to his colleagues at other European Community exchanges on November 10 a form of association permitting each exchange to trade other countries' major stocks.

When the brokers' closed shop disappears on January 1, 1993, its demise seems likely to be saluted with little more than a shrug

The French proposal is for 200 to 300 stocks to be recognised by a European system, with trading information spread in each stock's domestic currency and in Ecus throughout the member exchanges on a network dubbed "Pipe". It also envisages the connection of the separate national settlement systems.

"If I were the London stock exchange, I would have made the same proposal that they did. But London frightens the other 11 countries of Europe," comments Mr Rousselle.

He noted that the Seaq proposal is based on market-making — not applicable as a trading method in every EC country — and included no provision for settlement procedures.

"It will be difficult," Mr Rousselle concludes, "but it would be serious if, on finding that Europe does not exist on the level of its stock markets, we didn't try to do something about it."

Expansion abroad

Continued from Page 5

of significant foreign alliances: buying a third of Royale Belge; more than 20 per cent of Sun Life in the UK, and so on. UAP has also reached a co-operation agreement with Banque Nationale de Paris (BNP), the largest state-owned bank.

The other two insurance companies in the state sector, on the other hand, have been sidestepped by these upheavals. AGF, symptomatically, was still the second largest insurer last year.

Today, it ranks only fourth. The group has not been inert, nevertheless. It has acquired a 27 per cent stake in Assubel, the third largest Belgian insurer, and has just signed an agreement to take control of MAA in Italy.

GAN, on the other hand, appears left out. Claiming that it does not want to join in the race for growth, the group has instead preferred to take control of the Crédit Industriel et Commercial (CIC) bank.

Behind these five major groups, two other significant operations have also taken place. Compagnie de Navigation Mixte agreed in September to sell half its insurance activities (Via, Rhin et Moselle) to the West German group Allianz. The operation is particularly important as it represents the first substantial entry of the European number one into the French market. Mixte is now, however, the target of a takeover bid from Paribas valuing the whole company at FFr22.5bn.

Finally, two medium-sized private sector companies, PFA and GPA, merged in the spring to create, under the control of the Worms group and its holding company Pechelbronn, the main insurance group that remains independent. The position of PFA-GPA is expected to evolve, and the company is understood already to have plans for foreign alliances.

This far-reaching wave of restructuring has, for the time being, left only the mutual insurance companies on one side. Powerful and profitable, these companies remain wholly French, and their legal status prevents them from taking a more active part in the wider reorganisation of the sector.

Patrick de Jacquelot

The author is banking correspondent of Les Echo

George Graham looks at the quickening takeover activity

Symbolic swansong for the old rules

AS FRANCE'S traditional summer lethargy set in at the start of August, Compagnie Financière de Suez startled the drowsy stock market by launching a two-pronged FFr24.1bn bid for the shares it did not already own in Groupe Victoire, one of the leading private sector insurance companies in France, and for Compagnie Industrielle, Victoire's principal shareholder.

The bid was not merely the largest the French stock exchange had ever seen – and it later rose still further to FFr27.4bn, following an increase in Suez's terms – it also provided a symbolic swansong for France's old takeover rules, highlighting in the process many of the reasons why new rules were needed.

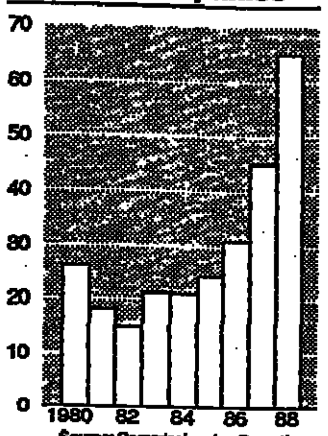
Two legal questions were at the heart of the battle:

Could Mr Jean-Marc Vernes, the controversial chairman of Compagnie Industrielle, use the shares held by the group's own subsidiaries on his side of the battle? and

Could Mr Vernes, already the largest shareholder in Compagnie Industrielle, beat off Suez's attack by buying more shares in the market, rather than through a full counter-bid?

The first question went to the law courts, but was never fully resolved. It will become, in any case, redundant in July 1991 when this kind of circular share ownership is to be outlawed under a recently passed law.

Number of takeovers of listed companies



Source: Commission des Operations de Bourse

On the second question, the stock market regulatory authorities made it clear that they were in no doubt that Mr Vernes must make a full bid if he wanted to raise his stake. Much less clear, however, was whether they would be able to enforce their will in the face of Mr Vernes's declared intention to act through friends.

The same law, however, now also introduces to French jurisprudence the concept of concert party action, and is expected to make it easier to stop people from circumventing the rules by acting through their friends.

But the most striking change in the new law is that it will introduce the obligation, similar to London's Rule 19, for an investor who takes his stake above one third of a company's capital to make a bid for at least another third.

The new rule, contained in outline in the law passed by parliament but spelt out in detail in a new stock exchange rulebook, will partially replace the current mechanism of "maintien de cours"; whereby someone who buys a "controlling stake" must agree to offer the same price to other shareholders in the market. It should, however, provide a much clearer trigger point than the somewhat debatable definition of "controlling stake".

The stock exchange has, nevertheless, included a number of exceptions to the rule of the compulsory bid. Some investment bankers feel that these exceptions could weaken the clarity of the takeover code.

Nothing, on the other hand, appears likely to weaken the appetite of French companies for takeovers. The entire fabric of French industry has over the last few years been radically restructured, with a surge in the number of takeover bids for listed companies but also a far larger wave of mergers and acquisitions in the sizeable family sector, which a decade ago still accounted for more than 30 per cent of the capital invested in France's 500 largest companies.

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If the number of public takeover bids has tripled in five years to total 65 last year, the total mergers and acquisitions market in 1988 is estimated at FFr300bn, with only around FFr40bn of it in the stock market.

Besides a longer term tendency for family-owned companies to change hands – many of France's most dynamic businesses were created in the years following the end of the Second World War, and their founders are in many cases now *approaching the end of* their careers – the effect of the 1987 stock market deterred many owner-managers from floating their companies on the market. At the same time, it made many of those who were already listed, cheaper targets for potential buyers.

But dominating all is the international movement of restructuring which has seen industrialists in sectors as diverse as biscuits, champagne, defence electronics and chemicals desperately rushing to build up market share by acquisitions – or "external growth", as French managers prefer to call it.

France has been no sluggard in this movement. In the first six months of this year, in fact, France was the most active acquiring nation in western Europe, according to the specialist publication 1992 M&A Monthly. French companies made 86 purchases in the rest of Europe worth a total of Ecu4.1bn. The same survey, however, shows that France was also one of the most open markets for foreign buyers to *come into, with 91 acquisitions* worth a total of Ecu2.3bn.

The state sector has been prominent in the move to make cross-border acquisitions, despite the difficulty that many state-owned companies have had in extracting funds from their shareholders. Banks and insurance companies have been particularly active in Italy, where Crédit Lyonnais has taken control of Credito Bergamasco, Union des Assurances de Paris (UAP) has won Allsecures, Groupe des Assurances Nationales bought 10 per cent of SAI and Assurances Générales de France has acquired 50 per cent of MAA.

But it is the state's industrial holdings which have made the most spectacular moves: Pechiney, the aluminium producer, with the $1.35bn purchase of American National Can in the US, and Rhone-Poulenc, the leading French chemicals company, with a whole string of acquisitions over the past few years, culminating in September with the simultaneous announcements that it was buying RTZ Chemicals in the UK for £512m and GAF Surfactants and Specialty Chemicals in the US for $480m – all this at the same time as guaranteeing its pharmaceuticals affiliate, Institut Mérieux, in a C$942m bid for Connaught BioSciences in Canada, a bid that has been agreed by the target but blocked by the Canadian government.

In the first half of 1989 France was the most active acquiring nation in western Europe

In the private sector, insurance companies have once again not been idle, with Victoire agreeing to take control of Colonia/Nordstern, West Germany's second largest insurance group, just days before it became itself the target of Suez, and AXA-Midi lining up to pay $4.5bn for Farmers in the US in the event that Sir James Goldsmith is successful in his bid for BAT Industries, Farmers' parent.

But it is Mr Antoine Riboud, the sprightly 70-year-old chairman of BSN, France's leading foods group, who has shown the most insatiable appetite. In June he paid $2.5bn for five biscuits and crisps companies belonging to RJR Nabisco, only to turn round and sell two of them on to PepsiCo for $1.35bn a month later.

Without drawing breath he then took a 35 per cent stake in Galbani, Italy's leading cheese producer, in an operation conducted jointly with the Agnelli group that cost a total of L2241bn, and last month he added Birkel, the second largest noodle producer in West Germany, to his shopping basket.

As Europe moves towards a unified internal market, Mr Riboud's example seems likely to inspire many of his fellow managers in France.

DOMESTIC BONDS

Treasury campaign opens a wider international market

OVER the past few years, the French Treasury has waged a tireless campaign to modernise its own funding techniques and, in the process, to open up a wider international market for its bonds.

With foreign demand now mounting steadily, not only have French government bonds become an everyday part of the international investor's portfolio, but the franc itself now appears well on the way to becoming a genuine investment currency.

Even the nearly dormant Eurofranc market has revived this year, with a surge of activity in July: FFr6bn of new fixed rate issues in one month, when the whole of 1987 saw only FFr11bn of issues. A change in the regulations, allowing French banks to borrow on the Euromarkets in francs without having to swap immediately into a foreign currency, could attract some French borrowers.

Another rule change, lowering the minimum duration from three years to one, was followed up last month by Volvo with an original one-year issue, managed by Société Générale, offering a relatively high yield of 12.16 per cent, but with the catch that the Swedish car group can decide next year whether it prefers to repay in francs or dollars, with the exchange rate fixed at the origin.

The franc appears well on the way to becoming a genuine investment currency

In parallel with this renewed Eurofranc activity, the Ecu, or European currency unit, has seen a revival of interest. The French Treasury led the way with an Ecu1bn issue yielding 8.6 per cent in April, lead-managed by Crédit Lyonnais and Paribas, targeted especially at individual. The Treasury followed up in July by selling a further Ecu352m at auction, thus integrating the Ecu bond into its usual selling apparatus.

The regular monthly auctions of OATs, as the main tap-stocks are known, now ensure almost all government funding, although the Treasury is still willing to syndicate a new issue, as it did with the Ecu bond, especially if it wants to reach a wider market of small investors who generally have not made the leap into the new style of bond market.

Treasury officials estimate that the auctions, with three different stocks sold on the first Thursday of each month according to a predetermined calendar, have cut perhaps 50 basis points off the government's borrowing costs by increasing competition and making the market more efficient.

One virtue of the auctions is to make the entire system more comprehensible to foreign investors, since the process closely resembles the techniques used in the US for selling Treasury bonds. Foreigners, however, still participate only rarely in the auctions and generally prefer to buy in the secondary market, with the exception of some foreign central banks who are allowed to submit non-competitive bids to be served at the average price.

Primary dealers say that the delivery problems which used to deter foreign buyers have been cleared up, but that buying in the auctions requires closer attention to the specificities of the French market than most international bond portfolio managers are prepared to pay.

Three changes in legislation have led to a structural shift in the bond market

One attempt to open the French government bond market directly to US investors, on the other hand, has not had the hoped for success. Last year, when Crédit Lyonnais, the third largest French bank and one of the primary dealers, launched a programme of American Depositary Receipts (ADRs) for two of the main French OATs, the aim was to widen acceptance in the US.

These proxy instruments allow US institutions, many of which have trustee restrictions on investments in overseas or unlisted securities, to buy and sell in dollars ADRs representing the French bonds and listed on the New York Stock Exchange.

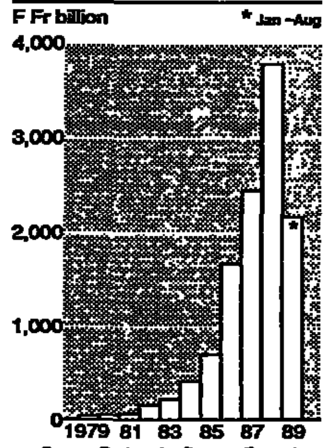
The ADR programme was the first carried out for a sovereign borrower, and covered the two principal bonds, the OAT 9.8 per cent 1996, with FFr44bn outstanding, and the OAT 8.5 per cent 1997, with some FFr26bn outstanding.

Despite receiving the top AAA rating from US ratings agencies, allowing them to feature in the portfolios of even the most cautious of pension funds, the ADR programme is widely reckoned to have been a failure.

"There was a great deal of fuss made about the launch, but there are still one or two ingredients missing," commented one primary dealer.

Meanwhile, in the domestic market, three major changes in legislation have led to a structural shift in the bond market.

Bond market volume



Source: Société des Bourses Françaises

The first is the ending of a 1963 rule known as the *"obligation de l'obligation"*, requiring mutual funds to hold at least 30 per cent of their assets in the form of bonds. This is likely to lead to a substantial shift by many short-term money market funds towards shorter term paper such as certificates of deposit or commercial paper.

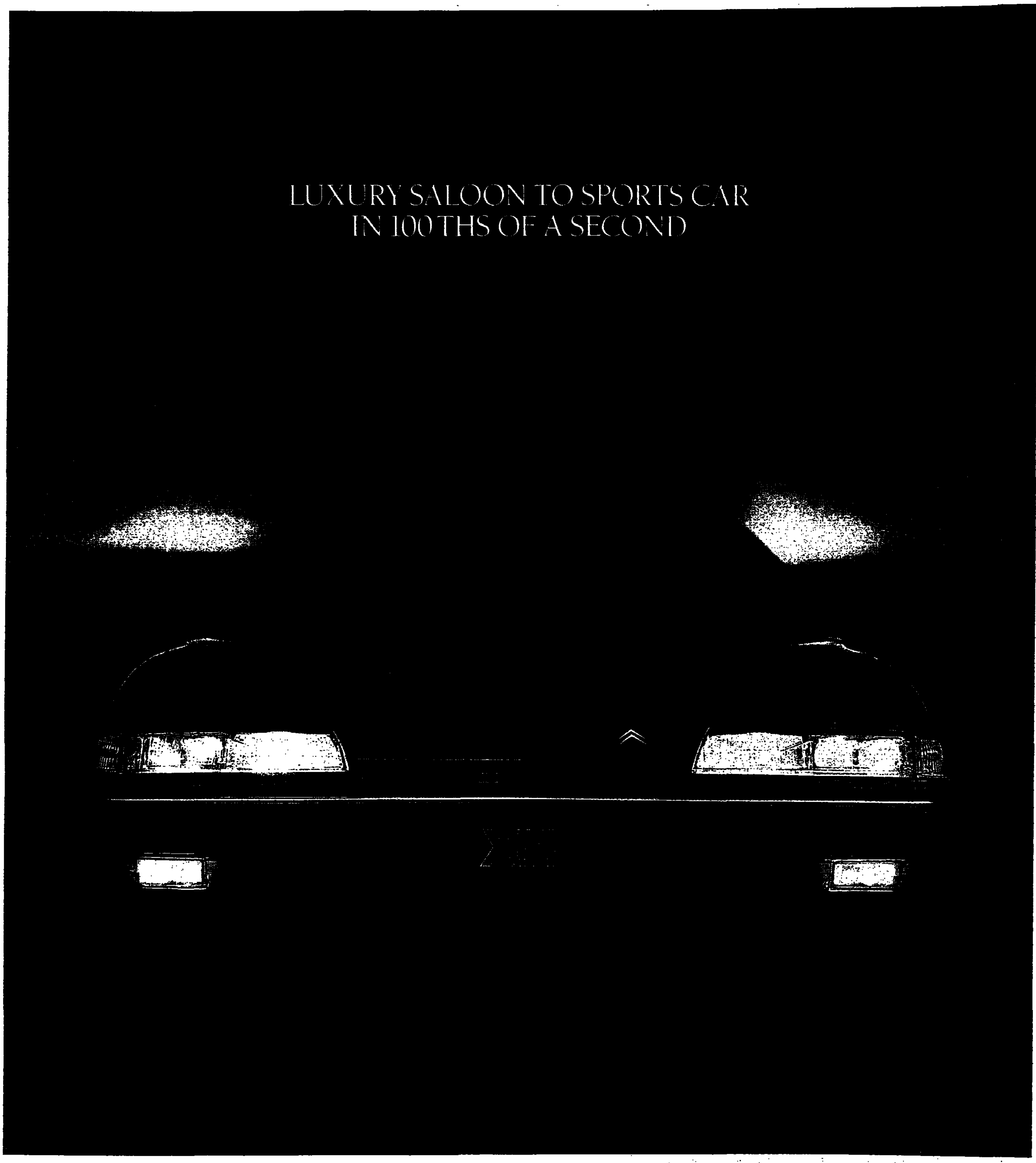
The second is the ending of the "coupon couru" system, whereby bond investors were subject to income tax on the income accrued on their bond when they sold. Mutual funds will now be able to operate on a roll-up basis, in other words, essentially tax-free for most private investors.

The third change, included in the budget for 1990, is the reduction in the withholding tax levied on bonds from 27 per cent to 17 per cent.

The net result will be a modification in the behaviour of investors, especially mutual fund managers, and although the government bond sector appears unlikely to be greatly affected, some bankers fear the consequences for the secondary market in other issuers' bonds.

For some of the larger public sector issuers, the emergence of market-makers seems likely to ensure that a secondary market is sustained, at least in their main bonds. However, smaller public and private sector issues, now traded on the CAC electronic quote system, may become still less liquid.

George Graham



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